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THESIS

MANAGEMENT CONTROL OF LEASED
INTERIM FACILITIES: A CASE STUDY

by

Gary W. Bradley

December 1987

Thesis Advisor: Kenneth J. Euske

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Management Control of Leased Interim Facilities: A Case Study

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ABSTRACT

Rising costs and decreasing resources have resulted in an increased emphasis upon management controls in military comand. This thesis focuses on an analysis of the management control structure and process of the trailer leasing program at the Marine Corps Base, Camp Pendleton, California. The purpose of the trailer leasing program is to meet temporary facility space requirements for various organizational and tenant units at Camp Pendleton. Data were obtained by interviewing key personnel involved in the trailer leasing process and examining archival material. The study follows the trailer leasing process through the operations of the three major program participants and provides recommendations focused on improving the effective management of the program.

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I. INTRODUCTION

A. GENERAL

This thesis is concerned with the management control of the "lease of interim facilities" at the Marine Corps Base (MCB), Camp Pendleton, California. Management control is:

> the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives [Ref. 1: p. 17].

The thesis focuses on describing the current management process and factors that impact upon the process. How the MCB may more effectively and efficiently manage the process are discussed in the conclusions and recommendations.

B. RESEARCH APPROACH

1. Methods

The unit of analysis is the "management component." A management component is an individual branch or department where the basal decisions and actions exist for a part of the leased interim facilities program.

The data gathered consisted of archival material from the working records belonging to each of the management process components and individual opinions gathered through personal and telephonic interviews. The individuals interviewed represent the fundamental agents operating the interim lease facilities program. [Ref. 2]

The research was conducted in two distinct phases. The first phase involved a general fact-finding trip to the MCB, Camp Pendleton. Here the interim leased facilities program was examined and specific documentation applicable to the program was collected. This documentation included (a) official directives, (b) documents outlining the history of each individual facility in the program, (c) contracts for the leasing of interim facilities and (d) fiscal data. The second phase of the study involved a detail examination of the materials gathered in the first phase. A second trip to the MCB, Camp Pendleton was conducted to obtain clarification and additional details regarding the phase one data.

2. Scope

This thesis only examines the management process of the lease of interim facilities program at the MCB, Camp Pendleton. For reasons that are detailed later, this study addresses only the leasing of trailers within this program. The use of "lease of interim facilities," and "trailer program," are considered synonymous and may be used interchangeably throughout this thesis. The management control process for the leasing of trailers is influenced by agencies outside the MCB. This study is limited to examining the influences of these agencies upon the MCB trailer program, and not the workings of that program within

those agencies. Review of the official financial accounting process is beyond the scope of this study.

3. Limitations

Two limitations must be kept in mind regarding this study.

a. Data collected represent only those facility requirements that are currently active. This is due to the unavailability of data on terminated requirements. This is not a serious problem since this applies to only two cases.

b. Dollar figures are actual amounts unadjusted for inflation. This is considered appropriate because of the stable pricing within each trailer lease for the full period of the contract. Details on this point are discussed later.

C. THESIS ORGANIZATION

This thesis is divided into six chapters. Chapter I is an introduction dealing principally with the research.

Chapter II presents a brief overview of management controls concepts. The chapter includes a discussion of the structure and process of management control systems.

Chapter III provides background information concerning (1) the Marine Corps Base, and (2) the management process for the leasing of interim facilities.

Chapter IV discusses in detail each of the main management process participants. Each participant's involvment in the process is examined. The pros and cons of

the process from the perspective of each participant are discussed.

Chapter V addresses two factors which relate to the trailer lease program, but are not direct functions of the participants discussed in Chapter IV. These factors impact upon the program either as causes for action to be taken or as elements to be considered in making decisions.

Chapter VI provides conclusions derived from the examination of the management process participants and the related factors. Based on the conclusions, recommendations are made regarding ways the process may be improved.

Chapter VII contains a summary of the study and comments about potential further study.

II. MANAGEMENT CONTROL

What constitutes sound management control practices does not have a concise answer. Literature on the subject provides a breath of ideas as to what have been effective management controls principles in the past. This chapter provides a brief overview of management control in order to have a reference for discussing the actual case illustration presented later.

A. BASIC FRAMEWORK

A driver controls a vehicle. An operator controls a crane. A teacher controls students in a class. A quarterback controls the offensive unit in a football game. It quickly becomes apparent "control is a broad concept applicable to people, things, situations, and organizations" [Ref. 3:p. 4]. But what does management control specifically mean? Before dissecting two representative definitions, consideration is given to the basic framework of which management control is a part.

1. Relationships

Management control is one of several related terms used in discussing organizations.

1. Strategy - A broad, general, long-term plan of action that governs organization policy formulation and programs for action.

2. Policy - A broad rule or set of rules that guides and governs actions throughout an organization.

3. Programming - The development and selection of a set of programs to be carried out.

4. Control - Guiding a set of variables (machines, people, equipment) toward an objective or goal.

5. Management control - All methods, procedures, and devices, including management control systems, that management uses to assure compliance with organization policies and strategies.

6. Management control system - An organized systematic process and structure that management uses in management control. [Ref. 3: p. 4]

These terms form a progression that may be found in all organizations. Beginning at an organization's inception, the process of determining what to do and how it should be done is continuous as the organization creates and changes its STRATEGIES. These strategies are incorporated into POLICIES to guide specific actions and PROGRAMS that outline specific activities that will be followed to achieve the goals set by the strategies. As the programs are set into motion, management cannot merely hope that they are successfully carried out. There must be CONTROLS assuring that people are doing what is expected from them. Management's participation in this process is called MANAGEMENT CONTROL. Those "things" used by management to collect and evaluate information and exert control over the

people and activities are what compose a MANAGEMENT CONTROL SYSTEM.

With this understanding of the relationships that exist within an organization, attention must be turned more specifically to management control.

2. Definitions

It is useful to repeat the definition previously given:

> Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives [Ref. 1, p. 17].

Implicit in this definition one finds three ideas that compose the context and actions of management control. The first two ideas are contained in the context, while the third idea relates to the actions. First, management control is exercised through "managers" or more generally people. This idea is emphasized when Hofstede defines management control as "a pragmatic concern for results, obtained through people" [Ref. 4: p. 193]. Second, the context within which these managers control is one defined by the strategies and policies of the organization. The manager controls in order to achieve a specific end. As Hofstede said, it is pragmatic. Third, management control consists of actions aimed at the effective and efficient use of available resources.

3. Effective and Efficient

These two criteria used for measuring the outcome of the controls are not absolute. These terms may be used with respect to specific tasks, a program, or an organization as a whole. However, most often the terms speak of judgment at the task level. The fact that given tasks are effective and efficient does not mean one can assume each step up the pyramid is also effective and efficient. Tasks within a given area meeting these two criteria may be counterbalanced by tasks elsewhere in the organization that fail these criteria. Therefore, a section within an organization maybe efficient and effective while the organization as a whole is not.

Understanding effectiveness is straightforward. In a technical sense, it is the degree of relationship between outputs and objectives [Ref. 5: p. 19]. The idea being that the more the outputs contribute to the attainment of objectives the greater the effectiveness. More simply stated, effectiveness relates to mission accomplishment.

Efficiency may be viewed from two slightly different perspectives. First, efficiency can be considered in an economical sense as "the amount of input per unit of output" [Ref. 3: p. 12]. This means that an organization is efficient only when it attains a given level of output with the minimum use of inputs. Second, efficiency can be

considered simply as accomplishing a mission in the best manner available. The second idea allows for noneconomic factors such as timing or politics to be added to the operation. The result being tasks that may be efficient even though the level of inputs is not at a minimum for the given output. The second view adds other factors to a basic input/output relationship in determining efficiency.

4. Planning and Control

The management control context rests in the strategies and policies of the organization. Therefore, control is closely associated with the organization's planning. Plans express what the manager intends to accomplish in the future. Control is the means by which the manager ensures the plans are accomplished. Though this study focuses on control, it cannot be forgotten that these two ideas are inseparable. These two are truly complementary activities since "the manager cannot control unless there is some plan that indicates the purpose of the control" [Ref. 6: p. 29].

5. Tight or Loose control

The concept of tight and loose controls relate directly to the concept of profit budget administration. There are some basic ideas from these two types of control that may be applied within the broad framework of control.

> If senior management constantly monitors divisional activity during the year, we say it is exercising "tight control." If senior management does only limited monitoring of divisional activity during the year, we say it is exercising "loose control." Note that the distinction between tight control and loose control refers to the extent of monitoring, not the degree of delegation. [Ref. 3: p. 530]

This quote highlights the idea that is most important regarding which type of control management is using. To what degree is management monitoring the functions of its activities. Which approach management uses means a different set of strengths and weaknesses apply.

Tight controls amplify the possibility that short-term actions are encouraged though they may not be in the long-term interest of the organization. The activity may take short-term actions that look better now to management rather than actions aimed at long-term benefits (which may look poorer in the short-term). This is especially true if the activity is regularly evaluated based upon its budget. [Ref. 3: p. 531]

Loose controls use the budget as a communication and planning tool. Here the budget is recognized as a point in time estimate that changes. The adjustments and reasons for the changes are communicated between the activity and management. This process encourages focusing on the long-term, emphasizes communication and planning, and de-emphasizes the rigid condition of using the budget as a central factor in performance evaluation. Loose controls do

suffer from the potential of not providing sufficient early signals of unsatisfactory performance by an activity. [Ref. 3: p. 533]

Organizations are scattered along the continuum between the extremes of being totally tight or totally loose in its controls. The tighter the controls used by an organization, the more it must consider the problems of short-term suboptimization and overemphasis upon budget performance in performance evaluation. However, extreme loose controls can result in a lack of early detection of poor performance. Management must thoughtfully consider its goals and objectives in deciding where along the continuum its control philosophy is located.

B. MANAGEMENT CONTROL STRUCTURE

The management control structure provides the fabric from which the control process operates. This section looks at responsibility centers and program structure.

1. Responsibility Centers

Virtually every organization is divided into responsibility centers. A responsibility center is a group of people (organization unit) working towards defined objectives under a manager who is responsible for what the unit does. Generally, the larger the organization, the more complicated the structure of the responsibility centers. One

vital function of top management is to plan, coordinate, and control the efforts of all the responsibility centers in harmony with the overarching strategies of the organization. [Ref. 5: pp. 5]

Each responsibility center works to accomplish specific objectives. The summation of these objectives ideally result in the organization achieving its goal as developed in its strategies. Control is the bonding agent for this fabric. Each responsibility center has inputs and outputs. Assuming the responsibility center is well designed, the outputs directly relate to objectives it seeks to meet. Thus by definition, proper control means the best use of available resources within the organization for responsibility centers to perform effectively and efficiently in reaching their objectives.

There are four principal types of responsibility centers:

a. expense centers,

b. revenue centers,

c. profit centers, and

d. investment centers.

These responsibility centers are classified according to the measure of the monetary value placed on the degree of control it exercises for that which it is responsible. This means the responsibility center is viewed in terms of

monetary value of the inputs and outputs over which it has reasonable control.

In addition to the four principal classifications of responsibility centers, it is useful to classify them as either mission centers or service centers.

a. Expense Centers

An expense center is sometimes called a cost center. Here two main conditions exist. First, the responsibility center has no control over sales or over the generating of revenues. The manager is restricted to the control of the incurrence of costs or expenses. Second, though all responsibility centers have outputs (they do something), it may not be feasible, practical, or necessary to measure the outputs in monetary terms. Inputs are measured in monetary terms (expenses), but output are either not measured or they are measured in nonmonetary terms [Ref. 3: p. 26].

b. Revenue Centers

Revenue centers are responsible only with attaining revenue maximization. Here revenues are measured in monetary terms; however, the revenues are not matched against expenses incurred by the responsibility center. Sales and marketing departments are good examples of revenue centers.

c. Profit Centers

Revenue is a monetary measure of output, and expense is a monetary measure of input, or resources consumed. Profit is the difference between revenues and expenses. Here the manager of the responsibility center has control over both cost and revenues [Ref. 7: p. 453]. The measure of performance for a profit center is in terms of the level of revenue earned and the expenses incurred to earn it. Note that the term profit center may apply to typical nonprofit oriented organizations. If in the responsibility center the inputs and outputs are measured in monetary values, then those measures may be compared to determine a profit or loss for the purpose of performance evaluation

d. Investment Centers

This responsibility center has control over profits and investment funds. The manager is responsible for and has control over the capital used to generate his profits. Whenever a profit center has control over such areas as physical plant and equipment, receivables, inventory, and entry into new markets, it may be called an investment center [Ref. 7: p. 453].

e. Mission Centers and Service Centers

It is helpful at times to view the four principal types of responsibility centers as either a

mission or a service center. A mission center is one whose output contributes directly to the attainment of the organization's objectives. A service center is one whose output contributes to the work of another responsibility center. That other responsibility center may be either a mission center or another service center. [Ref. 5: p. 8]

2. Program Structures

Many organizations track and control programs. By the very nature of most programs they involve multiple responsibility centers. Information is maintained with respect to responsibility centers for planning activities, coordinating work between responsibility centers, and controlling responsibility center managers. Information about programs is designed for three different purposes [Ref. 5: pp. 8-9]:

1) To make decisions about the programs that are to be undertaken and the amount and kind of resources that should be devoted to each program.

2) To permit comparisons to be made among programs carried on by several organizations.

3) To provide a basis for setting fees charged to clients or for reimbursement of costs incurred.

The interactions between responsibility centers and the program structure must be identified. In cases where a responsibility center works on a single program and is the only one working on the program, then a one-to-one correspondence exists. Thus the responsibility structure

and the program structure are the same. This may be seen where one part of organization provides security, another provides transportation, while another provides solid waste disposal. By contrast, a responsibility center like a drafting department will support various programs in its work.

3. Accounting Structure

Every organization must have an accounting system capable of collecting data to be used for financial and managerial reporting both internal and external to the organization.

Financial accounting is concerned with developing reports for use by stockholders, creditors, and others who are outside the organization. These external reports are prepared in accordance with "generally accepted accounting principles" and conform to certain standardized formats.

Management accounting is concerned with developing reports for use by management within the firm. These reports are intended to enable management to monitor, evaluate, and change, if necessary, activities within an organization to ensure that goals and objectives are properly attained. These reports are much less standardized than financial reports.

C. MANAGEMENT CONTROL PROCESS

The management control process operates within the management control structure and organizational relationships. Through both a formal and informal process, the organization decides upon it broad strategies and sets forth the specific operating policies. A considerable amount of the information gathered during the strategic planning process finds its way into each phase of the management control process.

Most organizations have a formal system of interrelated phases that form a management control process cycle.

> Many organizations also have a formal system, in which the information consists of planned (or estimated) and actual data on both outputs and inputs. Prior to actual operations, decisions and estimates are made as to what outputs and inputs are to be; during operations, records are maintained as to what outputs and inputs actually are; and subsequent to operations, reports are prepared that compare actual outputs and inputs to planned outputs and inputs. When necessary, corrective action is taken on the basis of these reports. [Ref. 5: p. 10]

Four principal steps compose this formal management control process: Planning, Budgeting, Operating and Measurement, and Reporting and Evaluation. As indicated in Figure 1 [Ref. 5: p. 10] these steps form a recurring cycle, and together create a closed loop.

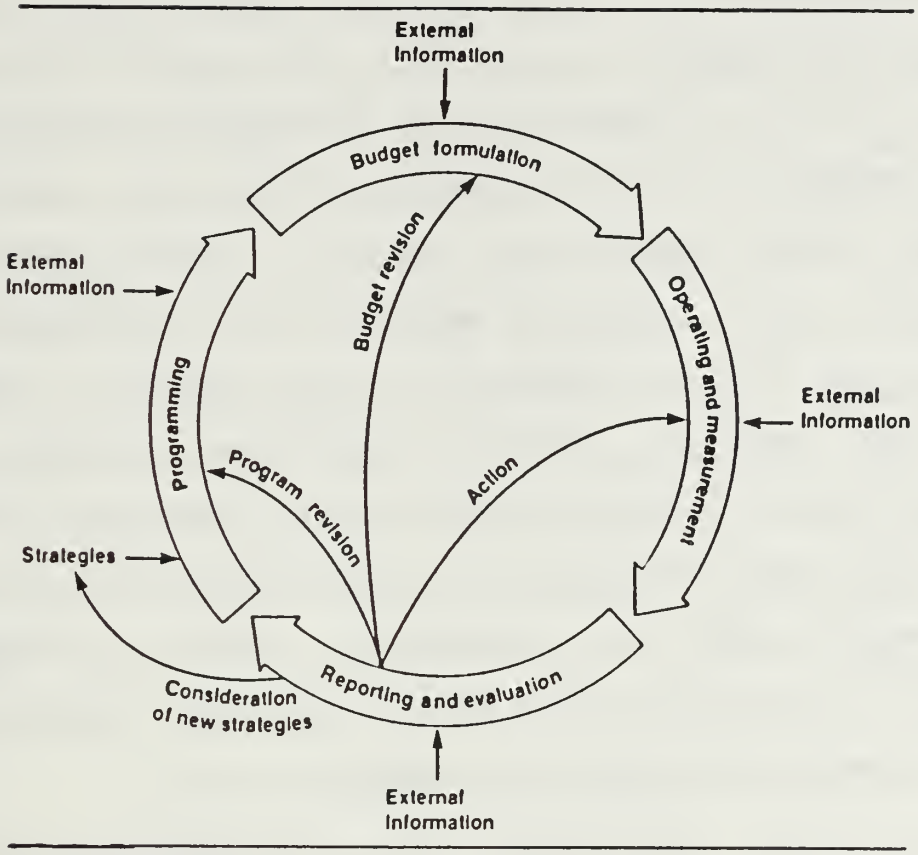

Figure 1
Phases of Management Control Process

The management control process also involves much informal communication such as notes, memoranda, meetings, conversations, and even facial expressions. Many of these informal activities are important to the formal management control process.

An overview of each of these four interrelated formal phases is presented. Relevant external information is part of each of the four phases. Therefore, this section will also include a review of the role of information in the management control process.

1. Process Cycle

a. Programming

In the programming phase, management chooses the specific programs the organization intends to carryout during the coming operational period. These programs outline which, when, and what amount of the organization's available resources will be used on each program. These decisions are based on existing strategies, changes in existing strategies, or development of new strategies. This is the point where the output from the strategic planning process merges with the management control process. Programming is the fine tuning of the goals and objectives of the organization into specific plans of action.

It is important that management foster conditions in which new program ideas are encouraged. An organization should not go year after year without generating new programs, evaluating them, and incorporating those that continue to aid the organization in achieving its objectives.

If feasible, program decisions are based on economic analysis [Ref. 5: p. 11]. This analysis includes an estimate of both the costs and benefits for a given program. A cost/benefit analysis is especially useful for comparing two or more programs which will accomplish a desired objective satisfactorily. If there is little or a

nebulous relationship between costs and benefits, the organization should not waste time in trying to perform a cost/benefit analysis. As examples, it is almost impossible to express in dollar amounts the benefits received from a project proposing to increase employee morale by improving work conditions or a project to create a more favorable image of the organization in the public's eye. Finally, a cost/benefit analysis may by itself not provide the best means of evaluation because of the same type of nonmonetary factors. Applying such factors may result in decisions where the best cost/benefit program is not the most appropriate with respect to the best interest of the organization.

A formal programming process provides a means for incorporating individual programs in an on going manner into the organization's plans. This process is especially important for large organizations that consider many continuing, modified, and new programs each year.

b. Budgeting

An operating budget is a plan of action, normally expressed in monetary terms, for a specific time period. The budget plays four important roles in the organization. First, it translates the approved programs into activities and responsibilities that correspond to the responsibility centers structure. Objectives are decided upon in the strategic planning process. Programs are

developed to achieve the objectives. Budgeting identifies who is responsible for the execution of either specific programs or parts of certain programs. Second, the budgeting process allows the responsibility centers to express what they believe are the resources necessary to meet the responsibilities assigned to them. This permits managers to negotiate with superiors as to what has to be done and what is needed to do it. Negotiations enable a flow of information between the levels of an organization. The result is a clear understanding of expectations (inputs) and responsibilities (outputs) by the responsibility centers. Third, the approved budget identifies the manner in which management plans to actually allocate its resources. Fourth, the approved budget serves as a commitment between management and the responsibility centers. Barring significant changes in circumstances, the budget becomes a tool for evaluation of performance. It must be stressed that the budget is only one such evaluation tool, and often not the primary one.

c. Operating and Measurement

During the period of actual operations, records are kept of resources consumed (inputs) and the outputs achieved. These records must be structured to allow the data to be classified both by programs and by responsibility centers [Ref. 3: p. 28]. Data collected by program provides

information for future programming decisions. Data collected by responsibility center provides information for evaluating performance of the individual responsibility centers. When used for performance evaluation, the information must be in a form that readily allows comparison with the budget plan. Organizations should have a well defined procedure for gathering and arranging the pertinent data required. An organization suffers just as seriously from unimportant and meaningless information whether as a result of insufficient data collection or massive collection of data that is not relevant to the needs of management and the responsibility centers.

d. Reporting and Evaluation

Data collected from internal accounting and nonaccounting sources as well as data from the external environment are summarized, analyzed, and reported to management and the responsibility centers. These reports generally compare planned inputs and outputs to actual inputs and outputs. Important is the aspect of summarizing. Decision makers need to be able to assimilate the information. Again, to much information may prove as harmful as to little information.

Reports provide information primarily for three purposes [Ref. 5: pp. 12-13]. First, the reports enable the coordinating and controlling of the activities of the

organization. The internal reports and the information gathered for external sources aid managers in identifying activities that may be off target with the plan (i.e. out of control). Corrective actions may be initiated for activities when investigation shows such action is necessary. Second, the reports provide the basis for evaluation of performance in specific areas of the organization. The result of the evaluation ranges from praise of a job well done to implementing new methods of operating. Third, the reports are used for program evaluation. If management determines that the plan under which a program is working is not optimal, it may take steps to change the program or the budget. An denoted in Figure 1, reporting and evaluation may lead to revisions in either the programs or the budget, to actions in how the organization operates and measures its operations, and to changes in strategy. This phase does not end the management control process. It indicates to the organization where it must focus its attention.

2. Information

Every organization requires information, which may be viewed as a resource. It will be assumed that management constantly assures that the value of the information exceeds its cost. Focus here will be on the kinds of information that is needed for management control. The backbone of the

organization's information is its accounting system. Personal interaction, meetings, notes, and even observation augment the formal data-gathering accounting system in providing information. Different types of information are required throughout the organization. Figure 2 is a diagram of the information flow in the control process [Ref. 3: p. 154]. In essence, management control information is used for planning, coordinating, and evaluating.

a. Planning

This information aids in determining what to do and how to do it. Planning information starts with evaluation of past experience, but draws heavily from external sources also. This information is future oriented. The fostering of an environment conducive to new ideas and opportunities is important.

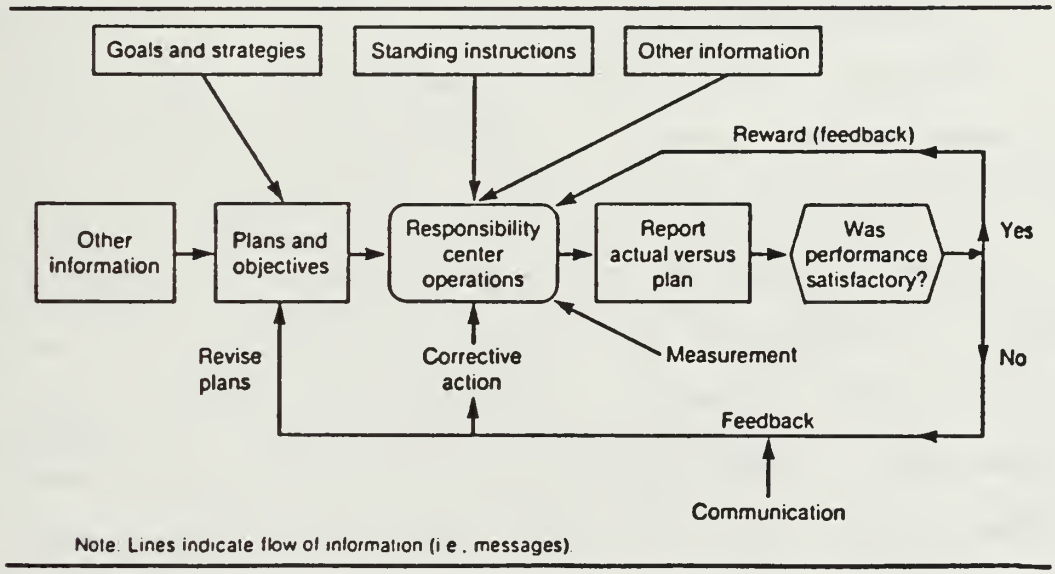

Figure 2
Information Flow in the Management Control Process

b. Coordinating

This information is mainly the uncertainty reduction type [Ref. 3: p. 153]. The ideas is to reduce the uncertainty of the workers as to what to do, how to do it, and when to do it. This type of information must be unambiguous and precise. As assumed from Figure 2, this information specifically relates to aiding responsibility center operations. Coordinating information includes standing instructions, detailed budgets, operation standards, job procedure manuals, responsibility center objectives, chains of authority and responsibility, policy guidelines, and detailed plans. The concept is that the organization is best served when everyone is adequately informed.

c. Evaluating

Unless information is evaluated, all the strategy development, planning, programming, operational activity and measurement is almost meaningless. This process involves comparing actual performance to planned performance. Performance evaluation ranges from variance analysis of budgets, production, or sales to sick days taken or overtime used. The evaluation will vary with the level of the organization. The evaluation information is filtered into the management control process through feedback. This feedback is intended to motivate either continued good

performance or correction of unsatisfactory performance. The corrective actions may require changing responsibility center operations or changing the plan. Informal feedback is always taking place within and between the responsibility centers.

3. Summary

The management control process is a cycle that is incomplete without action. All the functions of programming, budgeting, operation and measurement, and reporting and evaluation may be operating smoothly. Information may flow to all responsible parties. But there is no control if nothing is effectively being done with the information communicated. Control takes place only when someone acts on feedback to ensure the objectives of the organization are being met in the best manner.

D. MANAGEMENT CONTROL SYSTEMS

A formal management control system is an integration of a control structure and the control process to form a total system that encompasses all operations of the organization. It is a total system because its function is to aid management in coordinating the operations of each of the parts so that the organization functions in an optimal manner.

A common system is one built around a well-defined financial structure since is a common denominator for measuring and comparing inputs and outputs planned against actual results.

A typical management control system should follow the pattern depicted by Figure 3 [Ref. 8: p. 4]. The "desired relationships" depict the essence of the control process previously described. Of special interest are the "circumstantial relationships." Often it is difficult or even impossible to identify the performance that actually demonstrates that the components of the system are achieving the goals and objectives. Stated as a question: What criteria measures performance? Because identifying and measuring actual performance is usually so difficult, proxy or surrogate measures which are easier to measure are selected. These are often outputs associated with the activities taking place. The circumstantial relationships depict these choices made by management in using acceptable surrogates in measuring performance. Thus the evaluation of the surrogates serves as the means of assessing performance.

Control is achieved by making a successful management control system. A successful management control system means putting together the structure, the people, and the tasks in a way that is compatible.

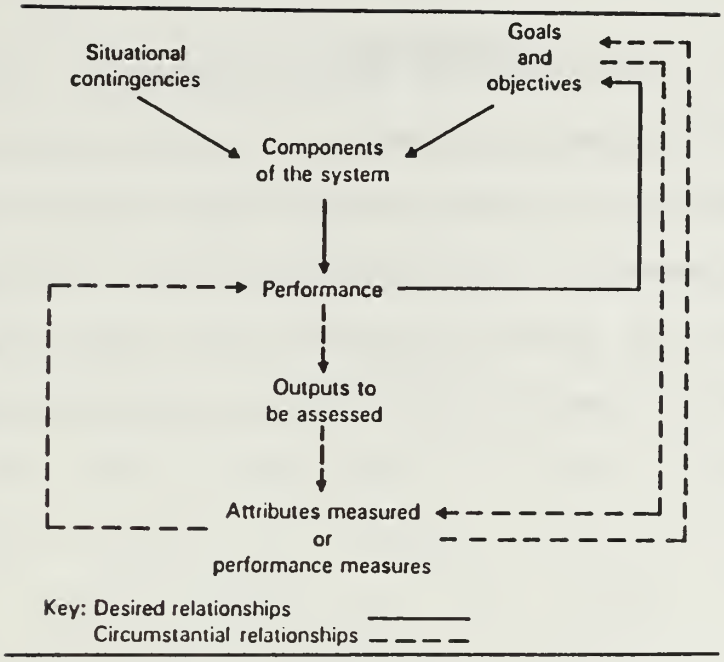

Figure 3. A Management Control System Model

Regarding Figure 3:

The model presented here is simple, but not simplistic. It can be used to analyze both individual and organizational behavior as it relates to management control. The model depicts the way the process of setting goals and objectives interrelates with situational contingencies to affect the characteristics of the management control system. A management control system is designed to facilitate performance. Specific outputs are identified, and measures of these outputs are generated that in turn are used within the management control system....Control happens when components of the management control system are used to insure that the outputs are generated....Measurement is a necessary condition for planning, control and evaluation to occur. [Ref. 8: p. 5]

E. SUMMARY

This chapter summarizes the basic framework, structure, and process of management control and how it is formed into an integrated system. The following chapters will examine a case example by tracking a specific program. The intention of this thesis is to draw conclusions about the management control of that program in light of the principles reviewed in this chapter.

III. BACKGROUND

The previous chapter outlined the general principles of management control. This chapter describes the Marine Corps Base, Camp Pendleton, California and the lease of interim facilities process. The first section of the chapter provides a general look at the Marine Corps Base - what it is today and how it developed. The four major command components are introduced. Finally, several base planning requirements that impact upon the trailer program are presented. All material for this section is drawn from the Base Master Plan [Ref. 9]. The second section focuses on the lease of interim facilities process. Here the primary process participants are introduced. The trailer program is traced from the initial request for facility support through unit(s) being place on site. This chapter provides the background for the detail presentation of each major participant to follow in the next chapter.

A. CAMP PENDLETON

1. General

Commissioned in 1942, Camp Pendleton consisted entirely of temporary or semi-permanent wood buildings. The first Military Construction (MILCON) appeared in 1968. The base retains most of the original structures today.

Figure 4 depicts the location of Camp Pendleton and other Marine Corps major commands in California.

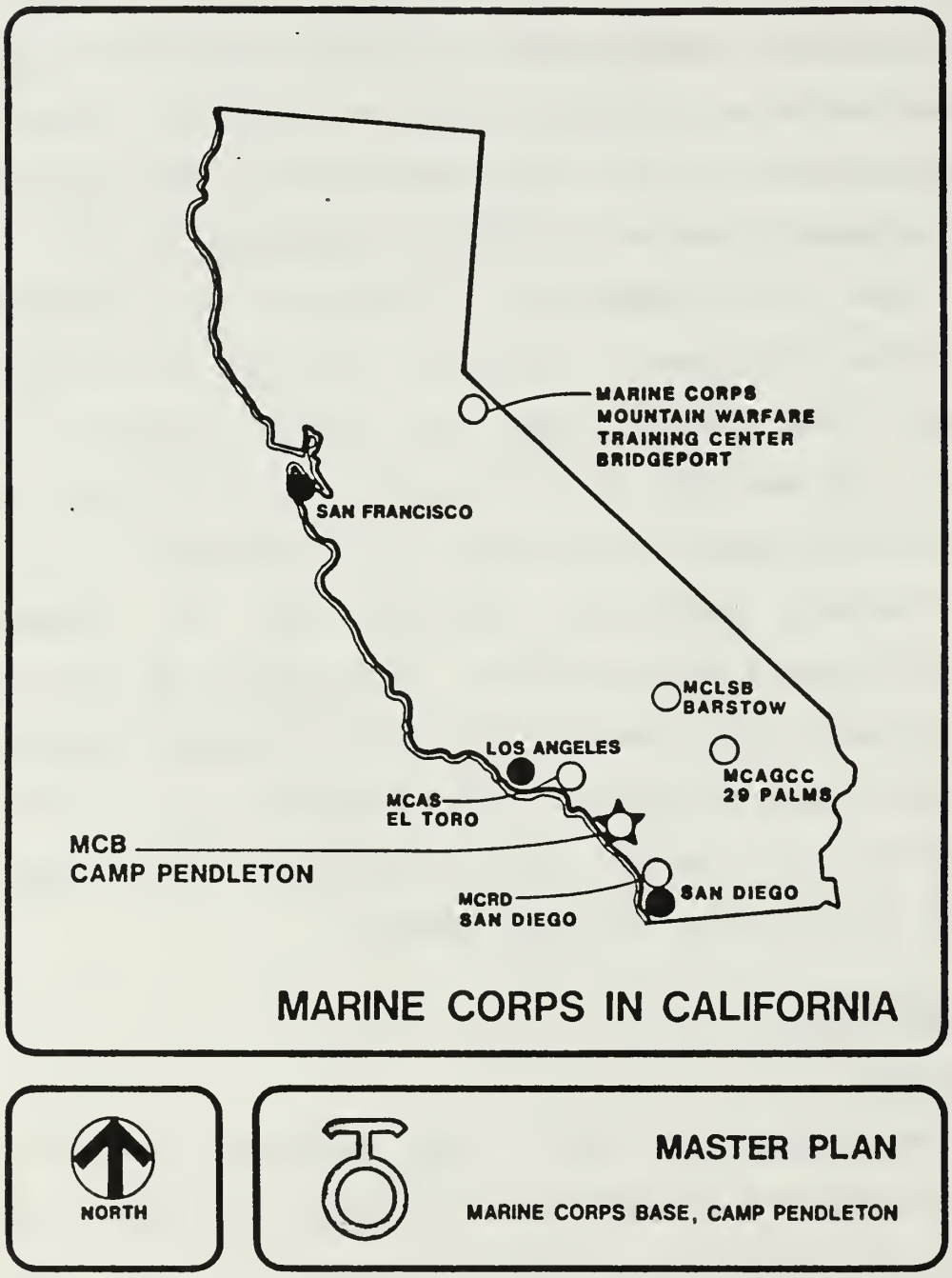

Figure 4
Marine Corps in California

The Marine Corps Base, Camp Pendleton, encompasses almost 200 square miles or more than 125,000 acres of land. The Base is the Marine Corps' prime amphibious warfare training center for the west coast. It lies midway between the large metropolitan areas of San Diego and Los Angeles. Its 18 miles of beaches and coastal bluffs along with its large area and varied terrain makes Camp Pendleton a unique setting for accomplishment of the training mission. The developed areas on the Base are isolated from one another by relatively undeveloped areas used for mission training. The variety of terrain ranges from the sea level beaches to mountains reaching elevations over 2600 feet. This large land area with such diverse terrain and the restricted airspace overhead is why Camp Pendleton continues to be an expanding center for Marine Corps activities.

The Marine Corps forces onboard the Camp Pendleton complex are composed of several separate commands. The primary four major commands are the Marine Corps Base (MCB), the 1st Marine Division (1st MARDIV), the 1st Force Service Support Group (FSSG), and the 1st Marine Amphibious Force Headquarters (I MAF). Numerous smaller tenant commands also are located on Camp Pendleton. Some of the more prominent ones include the Marine Corps Air Facility (MCAF), a Naval Regional Medical Center, a Navy Regional Dental Center, the Marine Corps Tactical Systems Support Command Activity

(MCTSSA), the Marine Air Support Squadron 3 (MASS 3), and two training elements of the Marine Corps Recruit Depot, San Diego.

The Base now supports more than 31,000 military personnel and employs over 3000 civilians. Additionally, Camp Pendleton provides a variety of support for dependents.

2. Major Command Components

This section looks briefly at the missions assigned the four major commands on Camp Pendleton. These commands are the Marine Corps Base, the 1st Marine Division, and the 1st Force Service Support Group. The 1st MARDIV and 1st FSSG, along with the 3rd Marine Aircraft Wing compose the element under the command of the 1st Marine Amphibious Force. The major elements of the 3rd Marine Aircraft Wing are located north of Camp Pendleton at the Marine Corps Air Station, El Toro.

a. Marine Corps Base

The mission of the MCB is to provide training, housing, logistical support, and certain administrative support for Fleet Marine Force units and other assigned units. Also, the Base conducts specialized schools and training. The Base has the responsibility to receive and process trainees, conduct individual combat training, to train organized replacement units for shipment overseas, and to provide logistical support for other Marine Corps

activities. Logistical support by the Base includes providing facilities.

b. 1st Marine Division

The primary mission of the 1st MARDIV is to execute amphibious operations and such other operations as may be directed. The Division is prepared for deployment with a Marine Aircraft Wing as part of an integrated Marine Amphibious Force for both amphibious operations and land operations. The missions and make-up of the organic units of the Division are varied. Together these units further the objective of the Division. The commands composing the Division are dispersed over the entire expanse of Camp Pendleton.

c. 1st Force Service Support Group

The FSSG is a versatile, multi-faceted combat service support organization. It is responsible for sustaining combat support to Fleet Marine Forces in the eastern Pacific. At full strength it can support a Marine Amphibious Force. The variety of combat support functions include supply, maintenance, transportation, engineering, law enforcement, medical/dental, material handling, personal services, disbursing, landing support, graves registration, legal, postal, POW handling, salvage, embarkation, passenger and freight service, civil affairs, and religious support. The FSSG provides its services through the process of task

organizing in the appropriate size needed to support the Marine Air-Ground Task Force.

d. 1st Marine Amphibious Force Headquarters

The headquarters of I MAF is a skeletal organization which would expand in a national emergency to control a Marine Amphibious Force. The mission of the I MAF headquarters is to plan for assigned contingencies, amphibious and air-ground exercises, and when augmented and directed, to exercise operational control of assigned forces. It is charged with developing standard operating procedures for all aspects of the air-ground task force. It is the central coordinating agent with the Navy where required within the eastern Pacific area.

This section gave a brief overview of the four major commands at Camp Pendleton. The diversified structure and mission of each command causes numerous and unique facility support requirements to be placed upon the Marine Corps Base. In meeting these requirements, the Base may find its only option is to do so through the lease of an interim facility. The diversity in types of facilities requested in the past by the Division and the FSSG requiring the lease of trailers includes administrative areas, supply storage, test equipment work areas, maintenance areas, interim refrigeration, communications, and billeting. The next section outlines the development history of Camp Pendleton

as it leads into the current program involving the lease of interim facilities.

3. Development History

In 1942, Acting Secretary of the Navy James Forrestal asked the Department of Justice to institute condemnation proceedings "to acquire the immediate temporary use" of the Santa Margarita Rancho, a large piece of undeveloped coast land in Southern California, for a west coast Marine Corps training center [Ref. 9: p. 4-29].

Work to develop the training center began in March 1942. Camp Pendleton was considered a temporary facility and was built to minimum standards. Therefore, its original build-up consisted of wood frame and metal Quonset hut type facilities. Training camps consisted of tent camps at Pulgas, San Onofre, and Christianitos.

Camp Pendleton was designated the center for all Marine Corps activities on the west coast in 1946. Programs to upgrade temporary facilities depended largely on self-help action. There was no immediate alternative to the original temporary facilities requirement.

Prior to the Korean War the only permanent building construction performed were the warehouses located in the Chappo area. During the Korean War some $20 million dollars was spent to build austere permanent concrete barracks and

messhalls complexes at four locations: Pulgas, San Mateo, Horno, and Margarita.

Between 1955 and 1961 permanent messing, billeting, and administration facilities were constructed at the Del Mar area. In 1963 the Marine Corps began the present Facilities Planning System. A comprehensive development plan based on this system was formulated for Camp Pendleton by the end of that year. Through the 1970's, ongoing efforts to upgrade facilities by both renovation of existing structures and new construction took place.

This continuous upgrading program of many facilities dating back to the early periods of Camp Pendleton's history, the expansion of existing units, the activation of new commands, and the change in mission of other commands all add to the pressing facilities requirement. The lease of interim facilities, specifically trailers, is a means of fulfilling these requirements.

4. Base Planning Considerations

Several factors must be considered by Base planners each time a request for new or additional facilities is received. This is especially true when the request is for a temporary trailer complex. The decision of the placement of trailers must take into account the following three factors:

Basewide land use must be in agreement with the existing development pattern of consolidated industrial and administrative areas at the south end of the base and isolated regimental areas dispersed throughout the base. Trailer requests must be within this overall plan.

Utility system problems often arise involving the trailer program. These exist around the problems of no on site utilities, distribution or collection system deficiencies on site, and flood problems.

Finally, environmental factors require specific site analysis for every lease of interim facilities request. These include examination of everything from topography to cultural and historic resources.

B. LEASE OF INTERIM FACILITIES PROCESS

This section presents a basic outline of the trailer lease program. It does not detail what is done in each step or by each participant. Chapter IV examines the major participants in detail. The focus here is to provide a framework into which the later details may be placed.

1. General

Facility requirements arise continuously at Camp Pendleton because of various reasons cited in the previous section. It is the responsibility of the Commanding General, Marine Corps Base, to satisfy valid facility requirements for commands and organizations aboard the Base. This section focuses on the interim lease facilities program in meeting facility requirements.

First, the trailer program is a "temporary" means of meeting a facility requirement when no other acceptable alternative is available.

Second, each request is handled separately from all others. This is true even when additional trailers are being added to an already existing complex. An example is the Marine Air Control Squadron 1 (MACS-1) which has a trailer complex built with four separate contracts. Each contract is independent of the others.

Third, Figure 5 pictures Camp Pendleton. Each "T" in a circle denotes an area where leased trailers currently exist. An indicated site may contain a single unit, or it may contain a complex composed of multiple trailers. Also, an area may contain trailers for several different activities. The Las Flores area is such an example. Here the circled "T" represents trailers belonging to the Reconnaissance Battalion and the Light Armored Vehicle Battalion.

Finally, the realistic time phase required to obtain leased trailers is a minimum of six months. This time period begins with the initial request being received by the Assistant Chief of Staff (AC/S) Facilities and ends with the arrival and set-up of the trailer(s). As is detailed in Chapter IV, under normal circumstances the time period is six to nine months. Anything less than six months for delivery by a contractor usually requires "corner cutting" by one or more of the Base participants or the selected

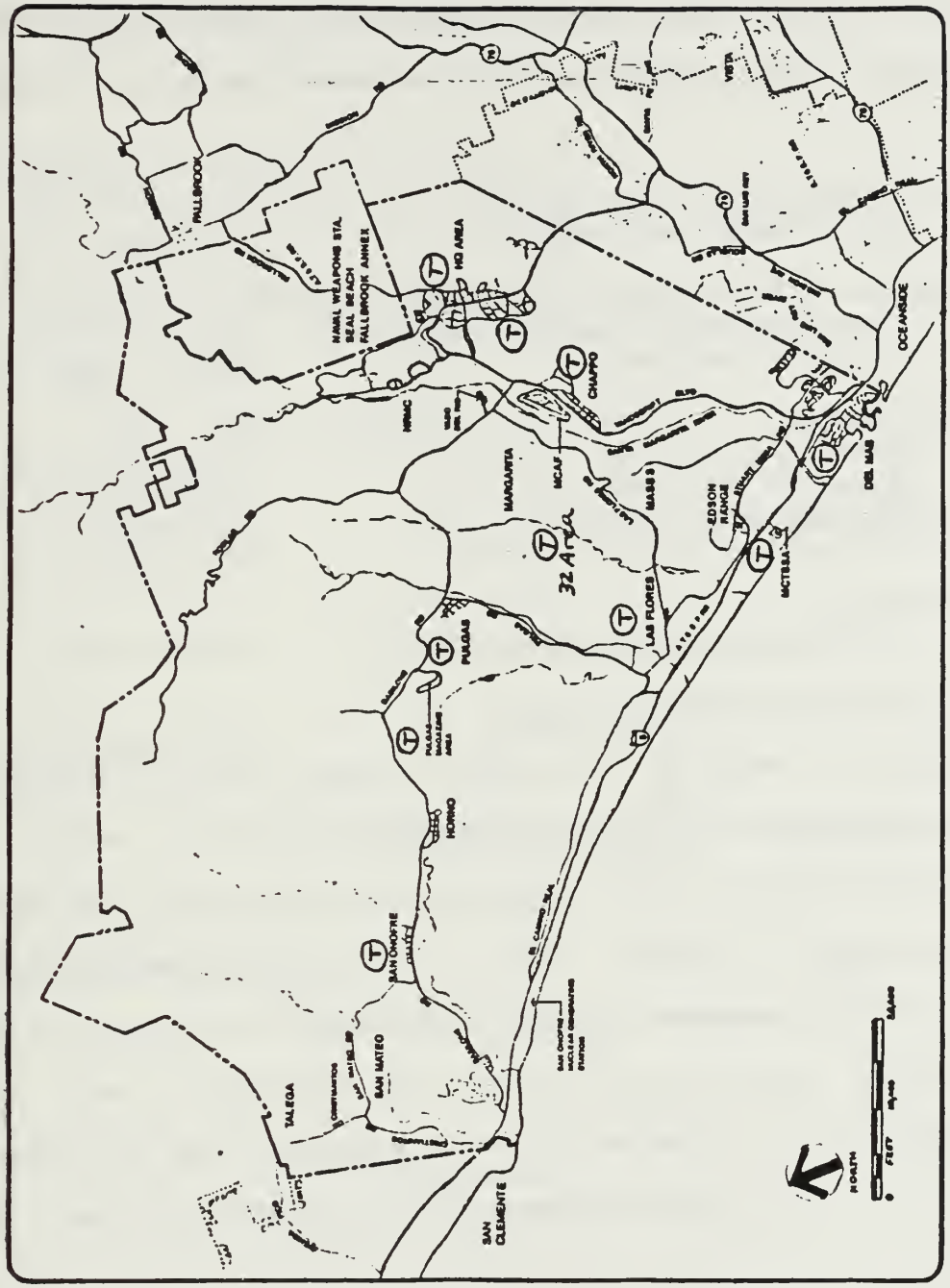

Figure 5
Leased Trailers Locations on Camp Pendleton

contractor. Again, these points are fully discussed during Chapter IV. Following is an abbreviated time table with approximated times (marked by "a") or required times (marked by "r"):

From request received by AC/S Facilities until HQMC response:	30 days (a)
Facilities Maintenance Department action (configuration design and site prep for delivery:	30-60 days (a)
Contracting preparation time:	5-10 days (a)
Commerce Business Daily:	15 days (r)
Request for Proposals:	30 days (r)
evaluation and selection:	5-10 days (a)
Contractor configuring and delivery:	60-90 days (a)

2. Trailer Program Process

Figure 6 depicts the normal process flow of actions. The process begins at the top with the requesting activity and moves down through the participating agencies and ends with the budget office. Arrows represent the flow of actions and the numbers indicate the order in which actions occur. Lines with arrows on both ends represent back and forth interaction between the two agents. The following discussion of the process traces the nine actions shown in the figure.

Action (1) is the formal request by an activity to the AC/S Facilities. This request may be specifically for a trailer lease or may be a general request for any available

facility that will satisfy the facility requirement. The need for a facility may also originate within Public Works as part of its planning process for future needs.

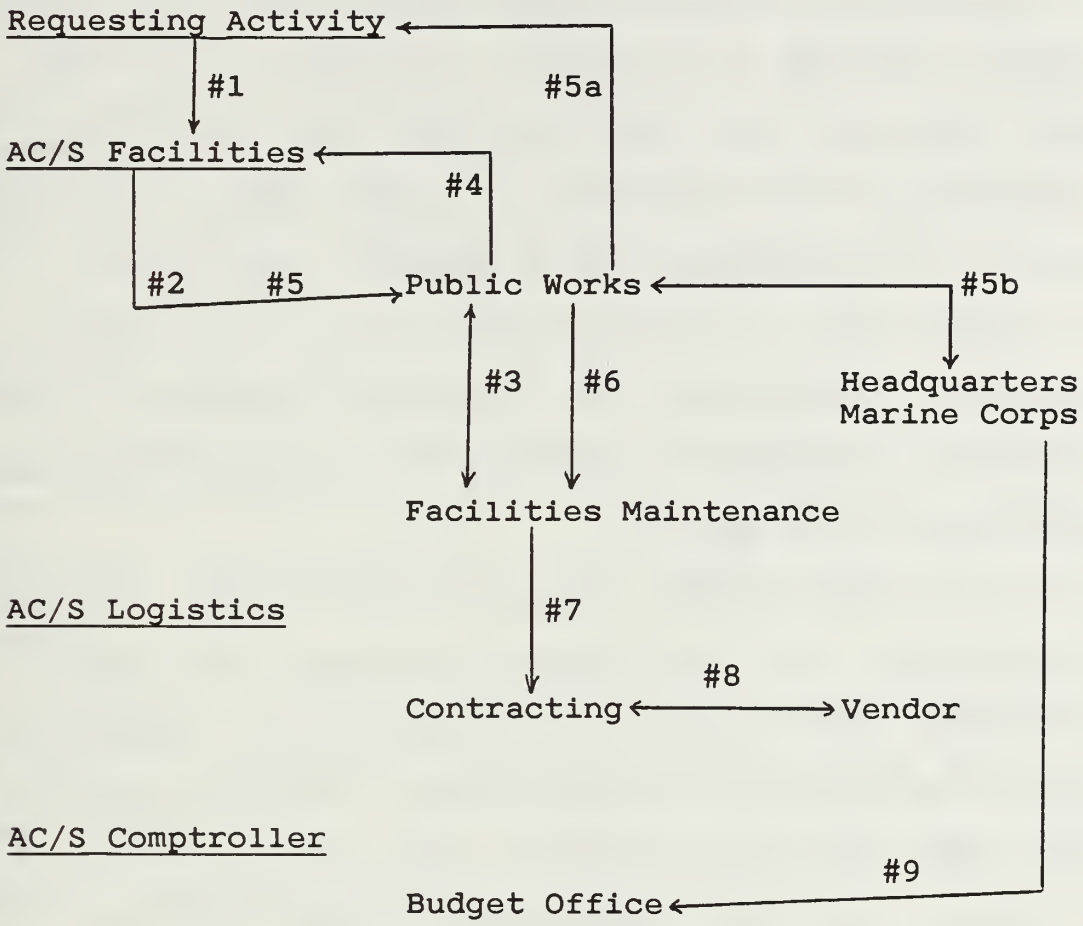

Figure 6
Trailer Lease Program Flow

Action (2) is the routing to Public Works, Planning Division, for action. Here the validity of the need for the request is evaluated. Once the need is validated, alternative ways of meeting the facility requirement are

investigated. The lease of an interim facility option is taken only if no other means is found to meet the requirement.

Action (3) is Public Works' request of Facilities Maintenance for cost estimates for a trailer lease. This estimate includes site prep and first year lease costs. This information is provided to Public Works for the formulation of a recommendation to the AC/S Facilities.

Action (4) is the routing of the Public Works' recommendation regarding the activity's request. The recommendation addresses the validity of the request and how a valid request would be met.

Action (5) is the routing of the decision by the AC/S Facilities back to Planning Division for action.

Action (5a) is the notification to the requesting activity of the decision on the request. If the decision is negative, then the process stops at this point.

Action (5b) is the next step if the decision is positive. Here Public Works sends a message to Headquarters Marine Corps (HQMC). The message justifies the requirement, requests approval to lease a trailer, and asks for funding. If HQMC refuses the request, then the requesting activity is notified and the process stops.

Action (6) occurs if approval is received from HQMC. Here Public Works officially notifies Facilities Maintenance Department to proceed with the process based on the HQMC approval. It must be noted that approval by HQMC does not mean funding is provided. Funding is a separate issue. Normal policy is that HQMC will fund delivery/set-up costs and first year lease cost. Facilities Maintenance must fund all site prep costs. Chapter IV details this area.

Action (7) is the official notice to Contracting to proceed with competition for the trailers needed.

Action (8) is Contracting's actions to develop, compete, and issue a contract. Once a contract is signed, Contracting also serves as the administrator of the contract.

Action (9) is the receipt of any funding documents from HQMC. Anticipated funding was identified by HQMC during action (5b). This is the first time the AC/S Comptroller becomes involved in the process.

C. SUMMARY

This chapter provides a background especially for the material presented in Chapter IV. Accordingly, this presentation has been brief. The first section reviewed Camp Pendleton and the four major commands located there. It also sketched the development history of the base to give a flavor to the issue of facilities. Finally, some planning

requirements that impact upon the lease of interim facilities were presented. The second section covered the lease of interim facilities process. A discussion on the main actions in the process followed some general information on the process.

The next chapter examines in detail each of the major participants in the trailer lease program.

IV. MAJOR PROCESS PARTICIPANTS

The previous two chapters have set the stage for the following discussion of the major participants in the lease of interim facilities process. Chapter II presented common management control principles. Chapter III described the environment for the trailer program and the basic flow of activities in the program.

The three major participants in the lease of interim facilities are Planning Division (Public Works), Facilities Maintenance Department, and Contracting. These organizations are under the command of the Commanding General, Marine Corps Base. As depicted by figure 6 in chapter III, Contracting operates under the control of the Assistant Chief of Staff (AC/S), Logistics and the other two operate under the control of the Assistant Chief of Staff, Facilities.

This chapter examines the role performed by each participant. Specifically, attention is given to their responsibilities and views. Material presented is based on personal interviews and research of source documents maintained by the three major participants in the process. The source documentation examined consisted of files and contracts for the individual trailer projects. Applicable regulations and orders were also examined. The intent of the chapter is to provide specific information that will serve

as the basis for conclusions and recommendations presented later in this study. Examples cited are based on information drawn from the examination of trailer files in Public Works and contracts on file in the Fiscal Section of the Facilities Maintenance Department. Appendix A summarizes much of this data.

A. PLANNING DIVISION, PUBLIC WORKS

Requirements for short-term facilities regularly arise which cannot be satisfied through the normal military construction (MILCON) program. These requests often stem from accelerated or expanded fielding of equipment, unit activations, and changes in unit mission. All such requests are handled by the AC/S Facilities, specifically the Planning Division of Public Works. Based on Figure 6 in chapter III, Planning Division is the hub for actions #2 through #6 in the trailer lease program flow.

Planning Division maintains files on all active and inactive trailer projects. Inactive files include requirements that are completed and requirements that were canceled at any point in Figure 6 prior to the actual execution of a contract (action 8). Each file contains documentation supporting actions #1 through #6 from Figure 6. This documentation includes official correspondence,

memoranda, and working papers for each interim facility request involving trailers.

1. Authorizing Regulations

Department of Defense Instruction (DODINST) 4165.56 [Ref. 10], Secretary of the Navy Instruction (SECNAVINST) 11100.6A [Ref. 11], and Marine Corps Order (MCO) P11000.12C [Ref. 12] are the three principal regulations. All three directives address the policy and procedures for the authorization, acquisition, use, and disposition of relocatable buildings.

A relocatable building is defined as:

> A building designed to be readily moved, erected, disassembled, stored, and reused. All types of buildings or building forms designed to provide relocatable capabilities are included in this definition....Excluded from this definition are building types and forms that are provided as an integral part of a mobile equipment item and that are incidental portions of such equipment components, such as communications vans or trailers. [Ref. 10: pp. 1-2]

The key points of the interim facilities policy when using relocatable buildings are succinctly summarized by the following statements [Ref. 12: pp. 12-1 and 12-2]:

> Relocatable facilities may be used for short-term facility requirements caused by transitory peak military missions, deployments, military contingency operations, or disaster relief requirements; or urgent requirements, pending approval and construction of facilities via normal MILCON programs.
>
> Relocatable facilities may not be used to provide facilities for long-term needs. Their use is not energy efficient, requires more maintenance than permanent facilities, adversely affects base appearance, provides ill-suited working environments, and conflicts with

congressional intent requiring the use of the MILCON Program. As a result, HQMC emphasizes leasing relocatable facilities for interim requirements instead of purchasing facilities.

Relocatable facilities used to satisfy interim requirements are considered temporary buildings to be used for periods of 3 years or less. Exceptions to this limitation may be approved by the ASD (A&L) to support continuing military operations,...

Any use of relocatable facilities as personal property, regardless of cost or means of acquisition, requires approval of the CMC.

When applying the definition above to the trailer program at Camp Pendleton, the main points to remember are:

1. Headquarters Marine Corps (HQMC) must approve each trailer request. This fact becomes very important when trailers are leased in stages over a period of time. Each time a new set of trailers are added to an existing trailer complex, HQMC approval must be obtained specifically for the new units. This means each HQMC approval is for a specific requirement, and additional trailers may not be leased for an existing complex without separate HQMC approval. The Marine Air Control Squadron 1 (MACS-1) is a prime example. Though the trailer complex supports a single command in one location, it was developed in four stages. The initial requirement and the three expansion requirements were treated as separate requests which had to be individually justified and approved. Consequently, there are four separate contracts involved for this trailer complex. This leads to the second main point. [Ref. 12 and Ref. 13]

2. The lease of trailers as interim facilities must be fully justified. Merely "wanting" a unit or wanting to expand existing facilities is not sufficient justification. The need must relate directly to reasons such as mission change, unit expansion, new equipment requirements.

3. Interim facilities are short-term. There is a three year limit on the use of an interim facility. An extension beyond the three year limit must be obtained from HQMC. To obtain an extension the Command must justify why the facility requirement is still valid

and why the trailers are still the best means to fulfill the need. Contracting is the staff most affected by the time limit of three years. The contracting area is discussed in the third section of this chapter.

4. HQMC emphasizes the leasing of interim facilities rather than purchase. The reasons leasing is preferred are listed in the second paragraph of the above quote relating to negative aspects of long-term leasing [Ref. 12]. The Facilities Maintenance personnel expand on these reasons (discussed in section B of this chapter).

5. Every request for approval to lease a trailer must identify the "fix" [Ref. 13] or plan for replacement with a permanent facility [Ref. 12: p. 12-3]. This means the request must state how the facility requirement will be met in a permanent manner so the interim facility is terminated within the three year limit. Such "fixes" may be a MILCON project, the projected availability of some other building, or the elimination of the need for the facility. This last condition is illustrated by a Communications and Electronics trailer which was leased for a year-and-a-half to meet a specific short-term need.

2. Identification of Interim Requirements

The Public Works Department is tasked with providing for all facility requirements on the base. Requirements for trailers arise through requests from the activities needing them or by Public Works identifying the need. Responding to trailer requests is characterized as "sometimes you have time to plan, and sometimes you needed them (facilities) yesterday" [Ref. 13]. There is no set pattern in the receiving of requests for trailers. About an equal number of the trailer requests are known months in advance, as compared to requests received stating an immediate need.

a. Command Requests

Requests for facility support from a command is straightforward. When the activity perceives a requirement for additional space, it submits a formal request to the AC/S Facilities, Marine Corps Base, justifying the need.

The most common problem expressed by those interviewed, is the timing of the submission by the command [Ref. 13, Ref. 14, and Ref. 15]. The problem arises if a trailer is requested to be on site for use in less than the normal six to nine months it takes to work through the trailer program process. This problem may result from a lack of either internal or external coordination. [Ref. 13 and Ref. 14].

New mission taskings (unit expansion, activation, or new equipment) drive the need for more facility space in the majority of cases. Headquarters Marine Corps (HQMC) is the external force that directs and coordinates many of the new taskings. New missions usually take a three to five year cycle to coordinate manpower, funding, and facilities at HQMC. There is no guarantee during this planning process that HQMC will inform the Commanding General of the local major command involved that a mission change is to take place. This may reduce the time available for Public Works to provide required facility support. [Ref. 14]

Since the AC/S Facilities, MCB, is not always included within the direct information channel between HQMC and the other major commands at Camp Pendleton, the first notification for facility support may be the receipt of the activity request. Internally, the longer the activity delays in submitting a request, the more adverse the effect on the time table for providing proper facility support. [Ref. 13 and Ref. 14]

Thus a chain reaction may occur from external or internal actions, or both, causing loss of time at two stages. HQMC may delay in communicating mission changes to the major command. The actual activity (unit command) may delay submitting its request for facility support to Public Works. In either case Public works is hindered in developing long range plans for providing the facility support to meet the mission change. [Ref. 14]

Staff rotation within the requesting activities has contributed to submission delays [Ref. 14] . With turnover usually less than every three years for S-4 Officers (logistics) in an activity, a disconnect may occur in the programming cycle. With the departure of an incumbent, the knowledge of how to get a request into the programming cycle with Public Works may be lost. The result is that Public Works may not be informed at the earliest time possible to allow Public Works to prepare to provide

adequate facilities. This type of programming delay can mean the loss of as much as two years in available planning time for Public Works. Thus turning what may be a requirement known in advance into a sudden and immediate request for facilities space. [Ref. 13 and Ref. 14]

b. Public Works Identification

Public Works uses the Facilities Support Requirements (FSR) document for long range planning of facilities requirements. The FSR is published annually by HQMC (code LFL) and addresses what is planned for the next five years in the areas of (a) new equipment coming on line, (b) unit populations, (c) new units, and (d) new missions. If requirements are completely planned and programmed within the FSR by HQMC, then public works is able to begin its work of obtaining adequate facilities well in advance of the date when the facility is actually required. However, the type of requirements leading to the leasing of trailers rarely appears in the FSR to allow the long range preparation [Ref. 3]. Force Reconnaissance Company is an example of this. The staff knew of a possible unit reactivation for over six months; however, official notice from HQMC was received in June 1986 with the actual reactivation in September 1986. Such a short time frame does not allow for any form of MILCON or allow sufficient time to follow the normal trailer program process. A second example is the First Supply

Battalion trailer that was leased to support the testing of the AMMOLOG program. The requirement was not on the FSR for Camp Pendleton. The Marine Corps testing of the AMMOLOG program was given to Camp Pendleton without prior notification.

3. Request Processing

Once a facility request is received by the AC/S Facilities, it is forwarded to the Planning Division within Public Works for action. The handling of the request by Planning Division involves a series of steps. [Ref. 13]

First, the validity of the need is evaluated. That is, is the space requested justified? This evaluation does not consider how to meet the space need, just is the request valid.

Finding the request valid, the second action is to find a means of meeting the facility requirement. This involves determining what type of facility is required and where the facility is required in order to identify possible solutions. Factors such as planned use, utility hook-ups (water, sewage, electrical), access roads, paving, fencing, internal wiring, and necessary square footage are all considered. The first alternative examined is to find an existing structure where the unit may be placed. This may be accomplished through a relocation to a vacant building or by consolidating a unit in a existing building with available

space. Once all possible alternatives are exhausted regarding the examination of existing assets, the leasing of trailer(s) is considered. [Ref. 13]

Assuming a positive decision by the AC/S Facilities regarding the original request and the use of leased trailers, Public Works prepares a message to HQMC for approval to lease interim facilities [Ref. 13]. The message must include information on the facility function, number of buildings, total square footage, date required, length of time relocatable facility needed, cost estimates for delivery, setup, and leasing, and plans for replacing the relocatable facility. Also, any additional information clarifying why the normal facilities planning, programming, and construction process could not provide the required facility is included [Ref. 12: pp. 12-2 and 12-3]. Public Works obtains this information from the Facilities Maintenance Department.

The total time from the initial receipt of the request from the unit until approval is received from HQMC is approximately thirty days. [Ref. 13]

Authority for final site approval resides with the Director, Planning Division. This action requires three main inputs. Facilities Maintenance provides information relating to the suitability and costs associated with proposed sites. Planning Division considers proposed siting

with regards to the overall base facility plans. Finally, site approval is not given without a Preliminary Environmental Assessment (PEA) by the Director, Natural Resources. The PEA is done even if the site was previously "impacted" (i.e., site where facility previously existed or area previously used). [Ref. 13]

Approval by HQMC to the Public Works message marks the point where Public Works officially notifies Facilities Maintenance to proceed with their responsibilities in the lease of interim facilities process. [Ref. 13 and Ref. 16]

4. Trailer Program Comments

This section addresses five items that relate to the trailer program. These items represent general concerns expressed by individuals in Public Works [Ref. 13 and Ref. 14].

First, the Public Works staff said it was frustrating when HQMC generates a new mission to begin within six months to a year, but permanent facilities support is tied to a five year MILCON cycle. This disparity in timing forces the use of leased interim facilities, often for protracted periods, at a substantial cost to the base. [Ref. 14]

Second, the rescheduling of MILCON projects is a factor causing part of the need for leasing trailers [Ref. 13]. This is illustrated by the Low Altitude Air Defense

(LAAD) Battalion. The MILCON projects for the permanent facilities are targeted to be ready in March 1988. However, the administrative building has been rescheduled to 1990. Because of this rescheduling by Congress, usage of leased trailers will continue for two years more than originally planned. "We do not perceive from our viewpoint that Congressional leaders weigh the cost of providing temporary facilities when they continue to not approve those projects" [Ref. 14].

Third, HQMC normally funds the delivery and setup costs and the first year lease costs. All site preparation costs are the responsibility of the base. However, by the early stage of the third quarter of the fiscal year HQMC usually has committed all its available funds for the support of leasing facilities. This means the approval given by HQMC to lease the trailers request does not include funding. The base may either absorb all the costs for the leasing or the leasing may be deferred until the next fiscal year when funding could be provided by HQMC. The base attempts to identify requests sufficiently in advance to allow the matching of funds needed with available funds in order to minimize the cost. [Ref. 13]

Fourth, the phrase "once on board, always on board" expresses a condition that is somewhat true with trailers. Once a command has moved into a trailer complex, the command

is very unwilling to give up the complex. A command has never volunteered the fact that the initial request was no longer valid [Ref. 13, Ref. 14, Ref. 15, and Ref. 16]. The command either remains in the complex until forced out or allows some other unit to move into it without notifying Contracting or Public Works. This is illustrated by the Marine Integrated Fire and Air Support System (MIFASS) trailer complex. As the three year time period drew to a close, Contracting called the MIFASS unit to determine if the contracts needed to be extended and to inform MIFASS of the new approval Public Works must obtain. The MIFASS command had moved out of the trailers over a year earlier and a different command had moved into the trailers. However, when the MIFASS project ended, the HQMC approval for the trailers had also ended. [Ref. 13 and Ref. 15]

Fifth, once HQMC approval is obtained and the action is turned over to Facilities Maintenance, Public Works' only responsibility is to ensure trailer removal when the "fix" is in place or to request approval for an extended period. All other responsibilities reside with Facilities Maintenance and Contracting. [Ref. 13]

B. FACILITIES MAINTENANCE DEPARTMENT

This section examines the responsibilities of Facilities Maintenance in the trailer program and then discusses a

number of trailer program issues from the Facilities Maintenance perspective. Facilities Maintenance is concerned with actions #3, #6, and #7 from Figure 6 in Chapter III.

The trailer program is monitored in Facilities Maintenance through two separate methods [Ref. 17 and Ref. 18]. First, the Deputy Maintenance Control Officer uses a manually prepared sheet on columnar paper for tracking each trailer project along with miscellaneous data kept in file folders by project [Ref. 16]. Second, the Fiscal Section maintains a separate file for each trailer project contract funded by Facilities Maintenance [Ref. 19]. The Fiscal Section is able to separately track lease and site preparation costs for each project [Ref. 18 and Ref. 19].

1. Trailer Program Responsibilities

Facilities Maintenance first becomes involved when Public Works requests cost estimates that are required for the message to HQMC. These cost estimates involve site preparation costs and the first year lease costs. [Ref. 16]

After approval to lease the trailers is received from HQMC, Public Works sends a letter to Facilities Maintenance directing them to officially proceed with the project. The Operations section proceeds with three basic tasks. First, it prepares the plans and documents representing the modular configuration and the

specifications that are sent to the contracting agents. Second, it prepares the plans detailing the work that must be performed for site preparation. Site preparation is discussed later in detail. Third, it prepares the bill of materials required by the Maintenance Repair section for doing the site preparation. [Ref. 16]

Completed documentation on the trailers is forwarded to Contracting for action. This documentation is the basis for Contracting to obtain exact cost figures which Facilities Maintenance routes back to Public Works. These exact cost figures are sent by message to HQMC in order to obtain first year funding. [Ref. 13, Ref. 15, and Ref. 16]

Prior to delivery, Facilities Maintenance must prepare the physical site where the trailer complex will be located. This preparation may require work ranging from a minimum of running in electricity to a complete installation of utilities in a previous unused area. The amount of work needed for site preparation depends upon two main factors. First, what is the use of the trailer. Second, where is the trailer(s) to be actually located. A trailer to be used as additional office space next to a permanent building may only require running electricity from a nearby transformer. On the other hand, the MACS-1 trailer complex was established in a previously unused area. Everything, including power, water and sewage lines had to be brought

into the area. The degree of work required for site preparation impacts directly upon the cost to and workload of Facilities Maintenance. The critical factor is coordinating the completion of the site preparation with the arrival of the trailers. Concerning the coordination, the Director, Facilities Maintenance said [Ref. 17]:

> Facilities Maintenance has been in the trailer lease business for quite a period. We are good at it. I'll admit we are pretty adept at running a trailer lease operation. We know how to write the specifications. We know who to contact. We know how we have got to start planning ahead in order to have site prep and trailer arrive at about the same time. You don't want to do site prep six months ahead of time and then just leave it sitting there. That causes a deteriorating of the utilities. But you also don't want the trailer to get there before you are ready. So its matter of very touchy coordination.

When the trailers are delivered, Facilities Maintenance is responsible for overseeing proper setup of the trailers. Facilities Maintenance has final approval authority for the acceptance of the trailer delivery. [Ref. 17]

During the time period the trailers are on board Camp Pendleton, Facilities Maintenance has three different responsibilities regarding maintenance at a trailer site.

First, it is totally responsible for the maintenance of anything external to the trailer. If a water line breaks outside the facility, Facilities Maintenance would repair the line. They have no responsibility for the maintenance or repair of the trailer itself. If a water line breaks inside

the trailer, the contractor would be responsible for the repair. The extent of Facilities Maintenance's involvement might be to have one of its personnel shut off the water leading into the trailer until the repairs are completed. [Ref. 18]

Second, Facilities Maintenance is involved in arranging for maintenance that must be done on the trailers by the contractor. Facilities Maintenance is the point of contract for all maintenance repair calls for facilities belonging to Camp Pendleton. To ensure a simple process, Facilities Maintenance also accepts all maintenance calls relating to trailers. However, Facilities Maintenance does not deal with the contractor on maintenance matters. Rather, Facilities Maintenance forwards the request for maintenance on trailers to Contracting. Contracting is the official contract administrator and deals directly with the contractor. Facilities Maintenance does assist Contracting by providing expert advice regarding the nature of the repair. If an activity calls in to report an electrical problem and does not understand what is wrong, Facilities Maintenance can assign one of its electricians to diagnose the problem. Thus the specific problem can be forwarded to Contracting. [Ref. 18]

Finally, Facilities Maintenance oversees the ultimate removal of the trailer from its site when the lease ends.

2. Perspectives on the Trailer Program

This section describes four aspects of the trailer program from the perspective of Facilities Maintenance. These items represent specific concerns expressed by individuals in the Facilities Maintenance Department [Ref. 16, Ref. 17, and Ref. 18].

a. Work Scheduling

Facilities Maintenance schedules its work program a year in advance. These job orders account for 80 percent of the available work-hours Facilities Maintenance has for the next year. The remaining 20 percent of the work-hours are for the nonroutine maintenance and repair projects that arise during the year. The trailer program impacts upon the scheduled 80 percent portion. The 20 percent portion must be held to meet unexpected requirement that may not be deferred. When a trailer project is initiated, the work-hours required for the site preparation are charged against the 80 percent portion. To adjust to the time used for site preparation work, two possible work scheduling actions are available to Facilities Maintenance. Either overtime is used to maintain the original work program or major changes in the scheduled work are made to

reflect the lower number of work-hours available. Thus programmed work which is ready to begin may be delayed or deferred until next year's schedule. [Ref. 16]

b. Purchase Problems

Given trailer leasing is expensive, why not purchase the trailers? Though no detailed cost analysis has been performed regarding a lease verses purchase comparison [Ref. 18], it has been argued that the purchase of trailers would probably be the best option if only purchase cost and lease cost are compared [Ref. 17]. However, given other relevant factors, beyond the direct costs of leasing and purchasing, the most economic alternative is not obvious. The following discussion examines four of the additional factors that must be considered in evaluating the lease or purchase question.

The first relevant factor is maintenance costs. If trailers were purchased, then Facilities Maintenance would pay all maintenance costs once the trailer was setup. No study has been attempted to determine what type of outyear (3-5 years) maintenance costs might be encountered. Trailers are not built to standup to the heavy usage of daily operational activities at a military installation. Because of this, trailers experience a shorter life span and are more easily damaged than are permanent structures. Within the military environment, these facts may result in

very high maintenance costs as the trailers age. An important part of the maintenance cost issue, if trailers were purchased, is material inventory. Materials used in trailers are not of the same standard types used in permanent construction. Trailers use materials unique to that type of structure. Facilities Maintenance would have to open an entirely new inventory line of repair materials to support trailers. The cost of the new inventory line would mean a reduction of materials in inventory for permanent facilities unless additional funding was made available. [Ref. 18]

In an attempt to reduce higher maintenance cost, the base could seek to purchase trailers built to higher standards. However, increased quality usually means increasing the costs of the units. Also, higher quality construction also means an increase in weight which impacts upon cost and mobility of the facility. [Ref. 16]

The second relevant factor is a Military Construction (MILCON) issue. Camp Pendleton, just like other military commands, is evaluated by HQMC and Congress as to the facilities square footage that it needs and currently possesses. Leased trailers are not the property of the U. S. Government. Therefore, leased trailers are not part of the base plant property account and are not included in the base's total square footage. If purchased, a trailer

becomes property of the U. S. Government and must be added to the plant property account and trailer's square footage would become part of the total allowed for the base. Congressional review now will identify a MILCON request to build another permanent structure to replace a "permanent" facility already existing for the same purpose. To purchase trailers, intended only for interim use, places the Base in danger of seeing the cancellation of MILCON projects. [Ref. 16, Ref. 17, and Ref. 18]

The third relevant factor is a disposition problem. Because of the lighter construction and potentially expensive outyear maintenance, a program would have to be developed for the disposal of worn-out trailers after five to six years. This runs contrary to the Marine Corps practice of rebuilding equipment and renovating facilities. However, owning trailers could lead to extensive rebuilding costs on facilities which are impractical to continue maintaining. [Ref. 17]

The final factor is configuration of the trailers. Each trailer is configured internally based on the specific operational requirements. If trailers were purchased, each time a trailer was used for a different requirement it would have to be totally reconfigured by Facilities Maintenance. Reconfiguration is a costly process. Additionally, each reconfiguration dramatically

adds to the overall wear and tear on the facility. This fact contributes to a shorter life span for the facility. It is easier to lease trailers in the required configuration and have them removed when the requirement expires. When the next requirement occurs obtain a lease for a trailer in the necessary configuration. However, ease of obtaining the required configuration does not implicitly imply that the process is the most effective and efficient. [Ref. 16 and Ref. 17]

To determine the most effective and efficient alternative a cost analysis should include factors such as salvage value of purchased trailers, inventory carrying cost, and projected work-hours for maintenance to mention a few. Additionally, the lease or buy question must consider factors such as the potential impact upon the MILCON program which are not part of an economic analysis.

c. Cost Factors

The funding for the trailer program comes from both external and internal sources. The standard procedure is that HQMC funds for setup, removal, and the portion of the first year lease cost falling within the fiscal year that the trailer is brought on board. All lease costs after the first year are paid by Facilities Maintenance. Conditional upon the timing within the fiscal year, HQMC may not have the funds available to support these costs. In

such cases, two alternatives are available. The base may delay bringing the trailer on board until the beginning of the next fiscal year and then solicit HQMC again for the funds. The other alternative is for the base to absorb the total cost if the delivery is not delayed. In all cases, the base is required to pay for all site preparation costs. Site preparation costs, as previous discussed, vary with the location for the facility and the utility requirement. Table 1 [Ref. 19] provides data on site preparations to illustrate the range of costs encountered in supporting the trailer program. [Ref. 13, Ref. 16, Ref. 17, and Ref. 18]

Fiscal Year	# site preps	Total Cost	High-Low
1984	4	$131,398	$70,060-$8,456
1985	3	$ 45,870	$42,038-$1,124
1986	10	$ 77,404	$21,761-$ 528
1987	6	$ 54,296	$25,232-$ 576

TABLE 1. SITE PREPARATION COSTS

Regulations restrict the source of funds used to pay for site preparation costs [Ref. 19]. The base receives fenced funds for the Maintenance of Real Property (MRP) referred to as M1 dollars. This money is for the maintenance and repair of base facilities. Six percent of

the M1 dollars may be set aside for "new" work. This six percent is called R1 dollars. New work is classified as anything that is not a repair [Ref. 18]. Examples include work like parking lots, walkways, landscaping, small buildings, fencing, and electrical wiring upgrade for a new machine. All site preparation is classified as new work and must be funded with R1 dollars. However, the tenants aboard the base have always identified more new work in a fiscal year than the R1 dollars can support. In response, Facilities Maintenance develops cost estimates for all identified new work projects and prioritizes them. Based upon this prioritized list, the Commanding General, Marine Corps Base, approves a new work program equal to half of the available R1 dollars (3% total). The remaining 50 percent of the R1 dollars (3% total) is held in reserve for requirements that arise throughout the fiscal year that the Commanding General must complete. Those projects not in the funded program are deferred until the next fiscal year. Site preparation costs come from the reserve portion of the R1 dollars. This means the site preparation costs cause some other project to be deferred. [Ref. 18]

d. Selecting Trailers

The selection of trailers rather than other type of temporary facility is based upon five factors. First, trailers are usually the best choice functionally. Second,

trailers can be leased in the configuration required. Third, because trailers are modular, multiple units can be assembled for large requirements. Fourth, trailers are the only temporary facilities which may be leased that meet the operational requirements. Finally, the purchase of any prefabricated type structure would create the same kind of square footage problem discussed earlier. [Ref. 18]

3. Summary

This section addressed the responsibilities of Facilities Maintenance in the trailer program and four relevant issues from the Facilities Maintenance perspective. When the requirement specifications, configuration design, and documentation is completed, the package is forwarded to Contracting for action. Facilities Maintenance coordinates the site preparation to coincide with the arrival of the trailer based upon the lease agreement developed by Contracting.

C. CONTRACTING

After Facilities Maintenance completes the development of the documentation detailing the trailer requirement, the package is forwarded to Contracting for action. Contracting formally writes, initiates, and administers the lease of interim facilities contracts. Contracting maintains separate files for each trailer lease contract [Ref. 15]. This section reviews the procedures for handling both normal and

urgent requests, the basic administration of trailer contracts, and the two main problems Contracting encounters with trailer contracts. In Figure 6 of Chapter III, Contracting is involved with actions #7 and #8 in the trailer lease program flow diagram.

1. Normal Procedures

Facilities Maintenance provides Contracting with a documentation package in order to begin the Contracting process. This package is composed of three basic parts. First, there is general information about the request and the approval authorization from HQMC. The second part is the exact specifications for the trailers. Finally, detailed configuration designs are provided.

The steps followed for preparing and enacting trailer leases are the same as for most other types of contracts. The following is a general summary of the process [Ref. 15]:

Step 1 is the writing of a synopsis for the proposed contract by the Contracting Specialist. This step takes five to ten days.

Step 2 consists of running the synopsis in the Commerce Business Daily (CBD) for fifteen days.

Step 3 is the actual request of proposals. The request for proposals lasts for a minimum of thirty days.

Step 4 begins with the close of the proposal period. This step requires five to ten days for Contracting to review and evaluate the proposal that were received.

Step 5 is the official awarding of the contract by the Contracting Officer.

The normal process requires a minimum of forty-five days. Once the contract is awarded, the usual delivery time is sixty to ninety days. Delivery time depends on the configuration complexity and what the vendor has available. Assuming the best case, the minimum time from the start of contracting action until delivery is approximately one hundred and five days (three-and-a-half months). In a worse case scenario, the time required for the contracting action and vendor delivery could be eight or nine months. [Ref. 15]

Separate contracts are required for each trailer request because (a) the request is for a specific activity, (b) locations differ, (c) the HQMC approval is for the specific request, and (d) different vendors are selected. MACS-1 is an example of trailers comprising a single complex being leased under four separate contracts. Each contract represents a unique request approved by HQMC. The starting dates for these contracts are 1 September 1982, 1 January 1986, 1 October 1986, and 1 April 1987. [Ref. 15]

2. Urgent Requests

When a valid urgent request is processed, contracting may follow some legal procedures to shorten the time period required. However, the contraction process

remains competitive. First, the synopsis is not advertised in the Commerce Business Daily. The request for proposal is sent directly to the vendors. At Camp Pendleton, a group of six different vendors provide all the leased trailers. These six vendors along with several other local vendors constitute the basic list of vendors notified. Additionally, the proposal period is reduced to about fifteen days. Delivery date is the major factor in a urgent request and a vendor's ability to meet the necessary delivery date is a prime factor in contract awarding. This often means the cost of the lease will be higher than when negotiated through the normal process. Higher costs are acceptable unless considered prohibitive by the Contracting Officer. [Ref. 15]

3. Contract Administration

Contracting interacts with the lease program through contract administration involving the enactment of the option years, the contracting for extensions, and the termination of leases. A discussion of each of these responsibilities follows [Ref. 15].

Rarely is the specific length of time for which the trailer will be needed known. Therefore, most leases are written for the maximum allowable period of three years. The contracts are written for a one year lease period with a two year renewal option. About ninety days before the lease

expires, Contracting sends a letter to the activity occupying the trailers. This letter notifies them the lease is about to expire and requests to be informed if the original need for which HQMC approved the lease is still valid. Contracting must determine (a) if the need is still valid, (b) are funds available, (c) is the cost still reasonable, and (d) is the lease still in the best interest of the Government. With these points satisfactorily answered, Contracting exercises the option for the next year of the lease. If the option is not exercised, the vendor is notified to remove the trailer. Contracting must give the vendor sixty days advance notice unless a shorter amount of time is agreed upon. [Ref. 15]

In cases where the contract is in the final option year, Contracting again sends out the notification letter. Should the trailer requirement still be valid, the using activity must request through Public Works new HQMC approval to continue leasing. The original HQMC approval only exists for three years in accordance with DODINST 4165.56. Assuming new HQMC approval is obtained, Contracting is in an unusual position. The original contract was only for a three year period based on a specific approval. From the contracting perspective, a new requirement exists which requires a new contract through full and open competition. If the existing contract for the trailers is to be renewed, Contracting must

demonstrate (1) competition, and (2) it is in the best interest of the Government to maintain the existing lease rather than executing an entirely new contract. To accomplish this, the contracting officer solicits offers from as many potential sources as practical under the circumstances addressing the intent to renew the lease with the current vendor [Ref. 20: p. 6-2]. It is unlikely that a new vendor will submit a lower cost bid than the agreement with the vendor already in place. The impact upon Contracting is one of extra work. Extra work caused by the proposal exercise, and extra work caused by justifying why Contracting did not follow the normal procedures of going through the entire procurement process.

When the requirement for the trailer lease ends, Contracting notifies Facilities Maintenance of the removal arrangement so it may perform necessary maintenance activities such as turning off utilities [Ref. 15 and Ref. 16].

4. Problems

Two significant problems relating to timing are encountered by Contracting [Ref. 15]. The following discussion examines these two related problems from the Contracting perspective and the impact they have on the trailer program.

The first problem deals with the lead-time Contracting needs to contract for a trailer lease. Contracting is bound by various regulations that detail the procedures and steps they must follow [Ref. 15]. When an activity summits a request for an interim facility, they may not have considered the time needed to process the request and get delivery of a trailer. Under normal conditions a request may take up to four months going through the system before reaching Contracting for action [Ref. 13]. Adding normal processing time in Contracting, a request should be initiated by an activity at least six months in advance of when the facility is needed. This is not usually the case [Ref. 13 and Ref. 15]. The timing issue most often effects the trailer program when a request is classified as urgent. As previously discussed, an urgent request affords Contracting the ability to shorten the procurement process. However, a problem arises in classifying a request as urgent because Contracting cannot ignore the time taken for the request to go through Public Works and Facilities Maintenance and especially delays in the original submission by the requesting activity. An example can best illustrate this problem. In July 1985, the Marine Corps Tactical Systems Support Activity (MCTSSA) first notified Contracting that it was going to request approval for trailers and the documentation would be submitted soon. When documentation

was not received after two months, Contracting called MCTSSA inquiring when the request would be submitted. The answer received was it would be submitted soon. Contracting finally received the official documentation in July 1986. MCTSSA had delayed making its request for a year. However, because MCTSSA needed the trailers in September 1986, they requested the normal competitive procurement process be waived and the requirement be handled as an urgent request. Contracting could not handle this as an urgent request because "contracting without full and open competition shall not be justified on the basis of (1) a lack of advance planning by the requiring activity. . ."[Ref. 20: p. 6-2]. Just because the requesting activity believes the need is urgent, does not mean Contracting can officially consider it urgent and shorten the procurement cycle. [Ref. 15]

The second problem related to timing occurs when the contract is about to expire. Contracting sends out a notification to the using activity that the contract is about to expire and informs the activity what must be done if a requirement still exists for the trailers. The problem arises because of a lack of timely response by the activity. Contracting often must directly contact the unit by telephone several times before they receive a response [Ref. 15]. This delay in response creates a problem in having sufficient time to proceed in a normal manner.

Both these problems place a burden on Contracting to meet the delivery dates for requested facilities while complying with contracting regulation.

D. SUMMARY

This chapter looked at the three major participants involved in the lease of interim facilities. Their roles, program perspectives, and problems were discussed.

The next chapter will consider two relevant factors regarding the lease of interim facilities, which are outside the control of the major participants.

V. RELEVANT FACTORS

This chapter examines two factors that affect the lease of interim facilities program: military construction (MILCON) and budgeting.

Since the leasing of trailers serves as a temporary facility pending the completion of a MILCON project, it is important to look at how the MILCON process operates and specifically at the influence of the Base's MILCON program on requirements for trailers.

The second section in this chapter addresses budget aspects of the trailer program.

A. MILITARY CONSTRUCTION

Military construction is the normal functional replacement cycle for facilities. Within MILCON there are three principal programs: Facilities projects, Urgent MILCON projects, and normal MILCON projects. This section discusses each of these programs [Ref. 21] before addressing specifically how the Base's MILCON actually impacts on the trailer program.

1. Normal MILCON

The normal MILCON program spans a time period of five to five-and-a-half years from the identification of a requirement until the completion of construction. Figure 7 illustrates the military construction progression involving projects programmed to begin construction in Fiscal Year

1989 [Ref. 21]. It is important to keep in mind that the time table depicted in the figure is the "textbook" model of how the process is designed to flow. Assuming everything is accomplished within the prescribed time table, a MILCON project initiated in FY 1986 will not be completed with the facility available for use until late FY 1990 or early FY 1991.

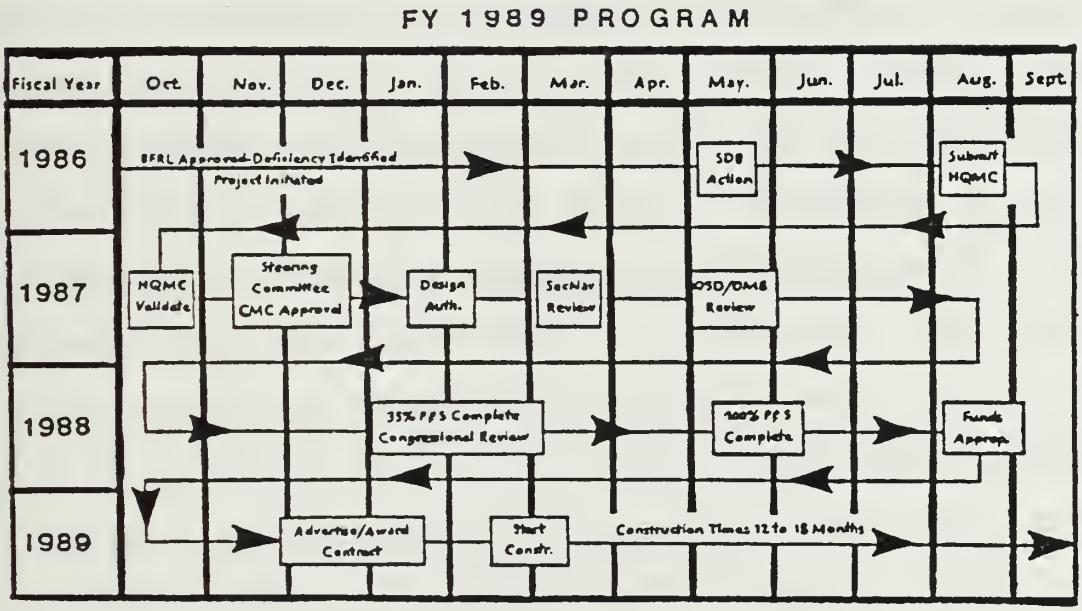

Figure 7
Military Construction Progression

Appendix B reviews the same MILCON process depicted by Figure 7, but with a slightly different perspective.

Formal submission of a MILCON project to HQMC puts it into the official program cycle. The Command annually submits its MILCON program to HQMC. This submission contains projects that will begin three years out from the submission year. Once a project is in the cycle, there are four conditions that may describe what happens to it before construction begins. First, the project may be canceled and leave the cycle. Second, the project may remain on schedule for the fiscal year originally programmed. Each step in the cycle occurs on schedule so the project is completed within the normal time frame. Third, the project may be accelerated. Because of the priority setting process, a project may be scheduled to begin construction in a fiscal year earlier than originally programmed. Finally, a project may be deferred. Appendix C illustrates that deferring projects is most common, while acceleration of projects is very unlikely. [Ref. 21]

The last point of importance considered here about the normal MILCON process is that a MILCON project receives final approval for construction in the passage of the annual Military Appropriations bill by Congress. Therefore, a project for the coming fiscal year could be delayed to a later fiscal year [Ref. 21]. This delay can occur just months before construction is to begin because of Congressional changes to the appropriation bill involving

MILCON funding. A good program of priority setting and advocacy by the Base, HQMC, and MILCON program sponsors up the chain through the DOD may help to avoid late deferrals of this kind [Ref. 21]. A good priority setting program means priorities are reviewed and adjusted regularly to ensure the most important requirements receive the highest priorities.

2. Urgent MILCON

Urgent Military Construction (UMC) are for projects with a total price under $1 million which are justified as urgent. Urgent MILCON projects are those "which require a remedy sooner than the availability through the regular MILCON process" [Ref. 12: p. 5-1]. To qualify as an UMC project one or more of the following criteria must apply [Ref. 12: p. 5-2]:

1. The requirement is known about too late to be included in the last MILCON budget submission.
2. The project is required sooner than the availability through the normal MILCON process.
3. No feasible alternative, temporary or permanent, is available until a MILCON project is completed.
4. A new primary mission cannot be implemented without the UMC project.
5. A hazard to life or safety exists without the UMC project.
6. The UMC project is necessary to comply with a regulation or statutory requirement which must be complied with to continue operations.

7. A new item of equipment cannot be place into operation without the UMC facility.

8. For security of nuclear or special weapons which would otherwise be compromised.

More than 80 percent of the Base's MILCON consists of replacement type projects and do not meet the very tight definition of urgent or the cost exceed the $1 million ceiling. An example of an urgent MILCON project might be a statutory change in disbursing requirements. To comply with the new law, a new facility is needed to house special data processing equipment that requires specialized climate control and ceiling height. Because of the legal compliance and the new type of equipment, a facility must be built now and cannot be put off for five plus years under the normal MILCON process. If this project could be built for under $1 million dollars, it could be submitted as an urgent MILCON request. Depending upon the complexity of the project, urgent MILCON projects can be available for use within twelve to twenty-four months. Administrative structures are never considered qualified for this program because any temporary facility can be used for administrative operations. [Ref. 21]

3. Facilities' Project Scope

If a project is less than $200,000 in total cost, it may be forwarded to HQMC for consideration without waiting for the normal annual MILCON submission [Ref. 21]. Approval

can be obtained as quickly as thirty days because HQMC has the authority to approve and fund such projects. If approved, a project can be completed in less than two years. The complexity of the design and construction determine how quickly a facility is completed.

4. MILCON Influence on Trailers

Even under the quickest methods, the time required to construct a permanent facility is about two years from the time the need is identified [Ref. 14 and Ref. 21]. However, the construction of a permanent facility is more likely to require following the normal MILCON process which takes over five years from the time the need is identified [Ref. 21]. In both cases, the delay is unacceptable in meeting various facility needs presented to Public Works by activities at Camp Pendleton [Ref. 14]. When notification was received that Force Reconnaissance Company was to be reactivated in less than six months, facilities had to be made available then, not eighteen months after the command began operations [Ref. 13 and Ref. 17]. When HQMC established the AMMOLOG program as a test program at Camp Pendleton two years earlier than originally planned, facilities had to be provided (1st Supply Battalion trailer) [Ref. 13 and Ref. 18]. The combination of the short lead-time for some requirements and the lengthy MILCON process means the lease of interim facilities may be the most

practical method available to meet the immediate facility need until a permanent facility is available.

B. BUDGETARY MATTERS

This section discusses funding issues of the trailer program both at the fund administrator and the base level.

Facilities Maintenance Department is the fund administrator for the trailer program [Ref. 19 and Ref. 24]. Figure 8 depicts how funds are distributed for use by Facilities Maintenance. The costs of the trailer program are from Decision Unit Codes (DUC) 52 and 56. Normal maintenance and repair funding is from DUC 44. The costs

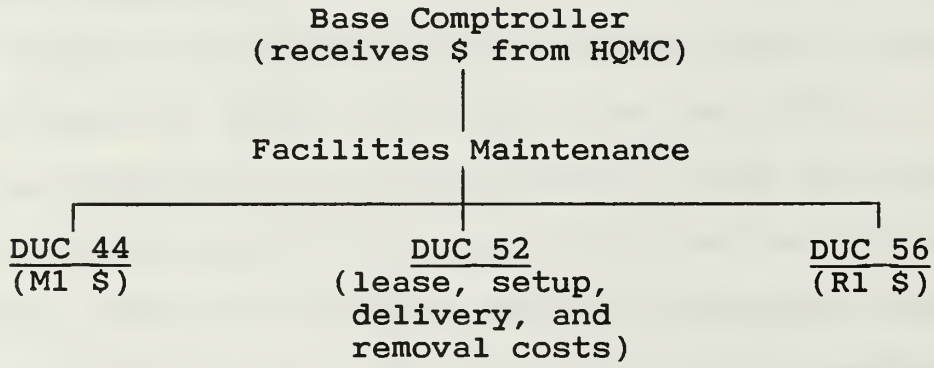

Figure 8. Distribution of Funds for Trailer Program

for the trailer program result from the two areas of actual trailer leases (DUC 52) and the site preparation (DUC 56). Table 2 shows the actual costs of the trailer program for the fiscal years 1984-1987. [Ref. 19]

Fiscal Year	Site Prep	Leases	Total
1984	$131,398	$109,688	$241,086
1985	$45,870	$225,043	$270,913
1986	$ 77,404	$257,540	$334,944
1987	$ 54,296	$238,570	$292,866

TABLE 2 Total Cost for the Trailer Program

Table 3 presents the budgeted and actual lease costs of the program [Ref. 22]. The sudden change in accuracy between the budget amount and the actual for 1987 is because of improved stability in the program enabling a better projection of lease costs [Ref. 17].

Fiscal Year	Beginning of Year Budget Amount	Actual
1983	$ 11,520	$ 54,559
1984	$ 23,760	$109,688
1985	$ 97,760	$225,043
1986	$134,718	$257,540
1987	$225,000	$238,570

TABLE 3 Lease Costs -- Budget vs. Actual

Facilities Maintenance budgets the cost of existing leases and leases known to begin in the coming year. During the fiscal year new facility requirements may be requested

by activities. As explained in chapter IV, the cost of these new leases are normally funded by HQMC while the site preparation costs must be absorbed by the base. The next year's lease cost is then funded within ceiling during the next budget cycle. This process means the total cost for the trailer program each year does not come totally out of the base's resources [Ref. 18 and Ref. 22]. The following example will help to clarify this. A trailer is requested, approved, and leased in Year 1. Facilities Maintenance pays the cost for the site preparation from its available R1 dollars (DUC 56). The 1st year lease cost of $XX is funded by HQMC. A one time funding increase is provided the base for $XX. In year 2 the lease cost of $XX is now considered part of the cost of operating the trailer program and is included within the total costs to be covered by the dollars available for DUC 52. However, it is important to note that the original funding of $XX from year 1 does not remain within the base's funding base authorized by HQMC. The base receives the "FIELD ACTIVITY FINANCIAL CEILING TRACKS" from HQMC (code LLF-1) near the beginning of each fiscal year. This document details the increases and decreases to the Marine Corps Base's funding levels. One-time funding of trailers for 1st year lease costs has never been an adjustment item increasing the base's funding level in the second year [Ref. 23 and Ref. 24]. This means Facilities

Maintenance must fund the subsequent year trailer lease costs with DUC 52 funds obtained from (1) previous requirements that have ended, (2) from savings generated in other areas within DUC 52, or (3) by reprogramming funds from some other requirement [Ref. 18 and Ref. 22].

The reprogramming of funds from some requirement in order to fully fund the trailer program should create a deficiency. Though such deficiencies were said to exist, none were found cited in the budget inputs from Facilities Maintenance to the base budget office or in the base's budget submissions to HQMC [Ref. 19 and Ref. 22].

C. SUMMARY

This chapter provided information on two relevant factors regarding the lease of interim facilities. First, the chapter examined the impact of the MILCON program upon the trailer program. Second, budgetary matters were reviewed. Here the costs, the manner of funding, and deficiencies were discussed.

Chapter VI discusses conclusions and recommendations regarding the management control of the lease of interim facilities at the Marine Corps Base, Camp Pendleton.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. Responsibilities and Coordination of the Major Participants

The lease of interim facilities program cuts across three separate responsibility centers that are under the command of the Commanding General, Marine Corps Base: Planning Division (Public Works), Facilities Maintenance Department, and Contracting. Within each responsibility center there is a clear understanding of how the total program works and what the major responsibilities are for each responsibility center. Each responsibility center maintains it own method of keeping track of the trailer program.

2. Requesting/Using Activities Lack of Awareness

The form and timing of the requests from the field activities demonstate either a lack of understanding or lack of concern about what is involved to approve and obtain a trailer by (a) delayed submission of the initial request, (b) failure to respond in a timely manner to inquires, and (c) incomplete information on initial requests. The form problem is evident from the level of detail of the requests made by field activities and the communications between field activities and Public Works. Requests vary from being detailed with specifics about why the facilities are

required and what type facilities are needed to brief statements of the desire to lease a trailer. The timing problem is evident by the majority of requests for facilities that ask for trailers to be made available within short time frames. Of the fourteen trailer requests examined that contained "required by" dates, eleven requested availability in four months or less from the date of the request. Also, activities are slow in responding to inquiries from contracting about extension and contract option years.

3. Contracting Difficulties

At least two factors influence the existence of work difficulties for Contracting. First, delays caused by the activities, as cited above, do not allow Contracting sufficient time to negotiate a contract in accordance with the regulations requiring a competitive bidding process. Second, the stipulation that contracts may only be awarded for a maximum of three year results in an increased allocation of administrative time at the end of the three year period should the contract require extension.

4. Need for Comptroller Involvement

The need for comptroller involvement is in two distinct areas. First, the comptroller is not involved in the process for requesting funds when initial requests are approved by HQMC. Public works evaluates the validity of

requests and obtains cost estimates from Facilities Maintenance. Public Works then sends the message for approval to lease to HQMC and identifies the required funding. The Comptroller is not included within this process. The Budget Office tends to become aware of such funding when a funding authorization is received from HQMC citing the original communications by Planning Division. Second, Facilities Maintenance does not address, within its deficiency requirements, the impact of fully funding the trailer program within ceiling. Every dollar spent for site preparation means a dollar less that is available for work in support of permanent facilities. This is especially noteworthy regarding costs incurred solely because of requirements generated by HQMC which require the base to lease trailers to meet facility support needs. There is no indication that the funding impact of the trailer leasing program is being presented to HQMC.

5. An unresolved issue

The issue of whether leasing of trailers is a better option than purchasing trailers is still an open question since a detailed cost/benefit analysis has not been conducted. Conducting an economic analysis of only lease cost compared to purchase price would most likely indicate in every case that purchasing is the better option. However, such an approach does not consider several issues that may

make leasing the better option. The most important issue is the potential damage that may occur to the base's MILCON program if trailers were purchased. Additionally, a totally new maintenance inventory may have to be created to support purchased trailers. This poses an major unknown cost factor. However, the major participants argue that trailer leasing is the most practical method of providing temporary facility support in a timely manner.

B. RECOMMENDATIONS

1. Develop Base Order on the Leasing of Trailers

The need to develop a concise Base Order on the Lease of Interim Facilities is base on Conclusions 1, 2, and 3. The Base Order should include (a) the purpose and limitations of the program, (b) an outline of the program process and the time frames involved, (c) summary of the responsibilities of each major participant, (d) instructions on information that must be included within a request for an interim facility, and (e) the responsibilities of activities occupying trailers.

The purpose and limitations should address that the program is to support temporary needs. It should be made clear that trailers require HQMC approval and that such approval is only good for a maximum period of three years.

The description of the trailer program process and time frame is necessary to help eliminate the lack of understanding among field activities. A better understanding of the process can aid in more timely submission of requests.

The responsibilities of each responsibility center in the process must be described in the Base Order to prevent confusion. The Base Order should identify a coordinating agent for the program, especially with respect to the handling of exercising options and handling contracts approaching the end of the three years.

Instructions on what must be included within all requests for a trailers are necessary. This will require the requesting activity to provide sufficient information for the Planning Division to begin work without going back to the requester for basic details. Also, the requirement to provide a full justification in agreement with the purpose for using trailers will limit activities from generating "nice to have" type of requests.

Based upon the notice from Contracting, the Commanding Officer of activities occupying trailers should be required to annually submit a letter that the original requirement for the trailer is still valid, and that either the option year should be exercised or the contract needs to be extended. Because of the contracting regulations that

must be followed, failure to meet this responsibility within a specified time period can create significant difficulties for Contracting. Specific legal requirements must be adhered to within the trailer process. The success in solving the timing problems for Contracting relates directly to the enforcement of penalties against units that do not comply within specified time frame. Penalties could range from fitness report comments citing lack of compliance with regulations to removal of trailers.

2. Request approval to change contract wording

Based on Conclusion 3, Contracting should seek authority to change the wording that limits the contracts written on trailer leases to three years. By not being limited to a specific time period, contracts could be continued through the exercising of option years without the need to show competition when a contract is about to expire. Phrasing similar to "authority to lease not to exceed the actual completion date of the MILCON project" could be more useful.

3. More Comptroller Involvement

Based on conclusion 4, the Base Comptroller needs to be brought directly into the trailer program process. First, the Comptroller should be part of the process for requesting funding in support of trailer leases. At a minimum, the Comptroller should be given information copies

of all messages requesting approval for trailer leases since they include the estimated costs for which HQMC may be providing funding. Second, Facilities Maintenance and the base budget office should develop a deficiency package seeking an increase to the Base's budget base because of the costs associated with the leasing of trailers for requirements generated by HQMC. Trailer leases in support of requirement such as 1st Supply Battalion (AMMOLOG test project), reactivation of Force Reconnaissance Company, and the expansion of the LAAD Battalion are examples of requirements generated by HQMC.

4. Cost/Benefit Study

A detailed cost/benefit study needs to be conducted regarding the lease or buy issue. The study must analyze more than only the direct lease cost and purchase cost. Other factors that must be considered include new maintenance inventory requirements, inventory carrying costs, maintenance work-hour requirements, costs to reconfigure trailers, disposal and salvage figures, Plant Property accounting, and potential impact upon the Base's MILCON program. Staff involved in the lease of interim facilities have opinions regarding the costs, advantages, and disadvantages of the purchase of trailers. However, an analysis has not been performed.

C. SUMMARY

This study examines a growing program that is meeting a real and important need at Camp Pendleton. The leasing of trailers appears to be the most practical method of meeting temporary facility needs pending the availability of permanent facilities.

The weakest link in the program is the lack of understanding or caring by the field activities that generate the requests and use the facilities. The development of a concise Base Order on the leasing of trailers and the enforcement of the Order is recommended as a means to overcome the lack of understanding or caring.

APPENDIX A

Summary of Trailer Projects

This appendix provides selected data collected from files maintained by the Director, Planning Division, Public Works Office. A summary of each trailer project located at the Base at the time of this study is given. These files and comments by the Director, Planning Division were the bases for illustrations given in the body of this study. Locations given relate to figure 5.

The format for each projected is as follows:

ACTIVITY NAME

1. location of trailer(s)
2. date facility request received by Public Works
3. trailer(s) units requested
4. date of Public Works message to HQMC
5. date HQMC response
6. comments

11th MARINE REGIMENT

1. Pulgas
2. 23 August 1985
3. 1 (12x60) and 1 (24x60)
4. a. 23 September 1985
   b. 6 December 1985
5. a. CMC msg 180145z Nov 85
   b. CMC msg 220124z Jan 86
6. The original request to HQMC (4a) was refused (5a) because the trailers would be in place for five years before MILCON fix ready.
   New fix identified within the three years time period in second request (4b), and HQMC approved the project (5b).

FORCE RECONNAISSANCE COMPANY

1. Del Mar
2. CMC msg 232037 Jun 86 (unit reactivation notice)
3. 5 (12x60)
4. a. msg 201452z Jul 86
   b. 26 February 1986
5. a. 29 September 1986
   b. 7 April 1987
6. HQCM only approved three (5a) of the five units requested originally (4a).
   Two addition units requested (4b) with new justification were approved by HQMC (5b).

RECONNAISSANCE BATTALION

1. Las Flores
2. 4 May 1986
3. 6 (12x60) and 1 toilet/shower unit
4. 6 June 1987
5. 17 August 1987
6. all MILCON except administrative areas under construction

LIGHT ARMORED VEHICLE BATTALION (LAVB)

1. Las Flores
2. 27 May 1986
3. 8 (12x60)
4. msg 122313z Mar 87
5. 17 August 1987
6. Delay in approval request to HQMC result of finding location site closer to sewer and utility lines (originally proposed site would have caused added cost of $65,000 to bring in sewer and utilities).

MARINE CORPS TACTICAL SYSTEMS SUPPORT ACTIVITY (MCTSSA)

1. MCTSSA site
2. 26 June 1986
3. 10 (12x60)
4. msg 082140z Jul 86
5. 22 August 1986
6. none

MARINE INTEGRATED FIRE AND AIR SUPPORT SYSTEM (MIFASS)

1. MCTSSA site
2. MCDEC msg 271540 Jan 84
3. originally 12 (12x60) and multiple additions
4. msg 231523z Feb 84
5. COMNAVELEXSYSCOM msg 202156z Mar 84
6. The MIFASS project was was directed through the Marine Corps Development and Education Center (MCDEC). The number of trailers grew as the project progressed through the Development and Testing stages of the project.
   The project is complete and 14 trailers were removed.

MARINE AIR CONTROL SQUADRON 1 (MACS-1)

1. 32 Area
2. 19 December 1985
3. 9 (12x60)
4. msg 282118z Jan 86
5. CMC msg 130128z Mar 86
6. This request is an addition to the original trailer project authorized by CMC msg 121333z May 82.

DISBURSING

1. HQ area
2. unknown
3. 7 (12x60)
4. 5 December 1985
5. CMC msg 170126z Jan 86
6. Requirement was cancelled 22 May 1986.

INFANTRY TRAINING SCHOOL

1. San Onofre
2. unknown
3. 2 (12x60)
4. msg 101601z Jul 85
5. August 1985
6. This trailer was originally approved in October 1983 for use as the Training Set Fire Observation trailer complex. This action continued its use.

COMMUNICATION AND ELECTRONICS OFFICER

1. requirement ended
2. 25 March 1985
3. 2 (12x60)
4. msg 121604z Apr 85
5. CMC msg 301427z Apr 85
6. This requirement was for a specific 18 month period.

1st SUPPLY BATTALION

1. Pulgas Magazine area
2. 19 May 1987
3. 2 (12x60)
4. 10 July 1987
5. unknown
6. Requirement from the HQMC testing of the AMMOLOG project.

FAMILY SERVICES CENTER

1. HQ area
2. 23 July 1985
3. 2 (12x60)
4. msg 091800z Aug 85
5. 26 September 1985
6. Request asked for waiver of the 30 day advertising period by Contracting.

LOW ALTITUDE AIR DEFENSE (LAAD) BATTALION

1. 32 area
2. 4 March 1985
3. originally 6 (12x60)
   later requests 12 additional units
4. msg 152245z Mar 85
5. 7 June 1985
6. This organization was originally the FORWARD AREA AIR DEFENSE (FAAD) BATTERY. HQMC expanded the unit to a battalion.

MULTI-MEDIA SAFETY EDUCATION TRAINING SYSTEM (MSETS)

1. San Onofre
2. a. 22 June 1983
   b. 22 August 1984
3. 2 (12x60)
4. msg 251658z Sep 84
5. 28 Demcember 1984
6. Date (2a) was when MCDEC announced the MSETS purchase was to begin.
   Actual facility requirement made known to Public Works.

APPENDIX B

Military Construction Flow Chart

This appendix outlines the process flow for a normal MILCON project requested by Camp Pendleton.

(y=Fiscal Year of project or when construction should begin)

Month/Year	Item	Difference in months
1. y-3 or >	Identify deficiency as validated by the Base planning system	
		+ 6 months or more
2. May/y-3	Station Development Board meets and prioritizes the 5 year MILCON program	
		+ 4 months
3. Oct/y=2	HQMC steering commitee reviews, validates, and prioritizes projects (prepares brief sheets on each project, submits to Secretary of the Navy)	
		+ 5 months or >
4. Feb/y-2	Design authorized by Engineering Field Division (EFD) - WESTDIV	
		+ 1 month
5. Mar/y-2	Project review performed by Secretary of the Navy	
		+ 2 months
6. May/y-2	Office of Secr. Defense/Office of Management and Budget review. Start concept design.	
		+ 2 months
7. Jul/y-2	Concept study reviewed by	

	Command/user and comments returned to EFD (WESTDIV)	
		+ 1 month
8. Aug/y-2	Start 35% design	
		+ 3 months or >
9. Nov/y-1	35% design reviewed by Command/user and comments	
		+ 1 month or >
10. Dec/y-1	Start 100% design	
		+ 1 month or >
11. Jan/y-1	Congressional committees approve projects	
		+ 2 months or >
12. Mar/y-1	100% design reviewed and comments returned to EFD (WESTDIV)	
		+ 3 months
13. Jun/y-1	Final design complete	
		+ 6 months
14. Nov/y	Advertise project in Commerce Business Daily (notify contrators of the project)	
		+ 2 months
15. Jan/y	Bid open for project	
		less than 1 month
16. Feb/y	Award project and begin construction	
		+ 9 to 18 months
17. y+1	Complete project	

APPENDIX C

Military Construction Project Summary

This appendix provides a summary of actions on MILCON projects for the Marine Corps Base, Camp Pendleton, CA.

FISCAL YEAR 1984

P129	deferred to FY 85
P136	deferred to FY 85
P899	deferred to FY 86
P945	inserted by HQMC

FISCAL YEAR 1985

P868	accelerated from FY 86
P609	deferred to FY 86
P906	deferred to FY 86
P918	deferred to FY 86
P910	deferred indefinitely
P912	deferred indefinitely
P953	deferred to FY 86

FISCAL YEAR 1986

P356	deferred to FY 87
P609	deferred to FY 87
P868	accelerated to FY 85
P906	deferred to FY 87
P953	deferred to FY 87
P918	deferred indefinitely
P981	deferred to FY 87
P960	deferred to FY 88
P961	deferred to FY 87

FISCAL YEAR 1987

P189	deferred to FY 88
P203	deferred to FY 88
P361	deferred indefinitely
P623	deferred to FY 90
P690	deferred to FY 88
P977	deferred to FY 90
P981	unprogrammed

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